

**“BEOGRADSKO MEŠOVITO PREDUZEĆE“
A.D. BELGRADE**

**Separate Financial Statements as of and for
the Year Ended 31 December 2020
and independent Auditor’s Report**

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF "BEOGRADSKO MEŠOVITO PREDUZEĆE" d.o.o. BELGRADE

Opinion

We have audited the separate financial statements of the Hotel Shareholding Company "Beogradsko Mešovito Preduzeće" a.d., Beograd (hereinafter: the "Company"), which comprise the separate balance sheet as of 31 December 2020 and the separate income statement, the separate statement of other comprehensive income, the separate statement of changes in equity and separate statement of cash flows for the year then ended, and the notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as of 31 December 2020, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the regulations prevailing in the Republic of Serbia and accounting policies disclosed in Note 3 to the separate financial statements.

Basis for Opinion

We conducted our audit in accordance with Law on Audit and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate Financial Statements*. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in *the Republic of Serbia*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty related to the Going Concern Assumption

We draw your attention to Note 2.4, which discloses that the accompanying separate financial statements have been prepared on the assumption that the Company will continue to operate in accordance with the going concern principle. The rapid spread of the COVID-19 virus and its social and economic effects in Serbia, as well as globally, have led to the temporary closure of hotels in the first quarter of 2020 and the referral of employees to temporary paid leaves. Although the Company applied for economic assistance measures of the Government of the Republic of Serbia to mitigate the consequences caused by the COVID-19 pandemic and opened a hotel in early May 2020, there is uncertainty about the extent of its impact on the future business of the Company. In the current year, the Company realized a net loss of RSD 346,163 thousand (2019: net profit of RSD 231,875 thousand). The Company has taken measures to ensure business continuity at the required level. In addition, the Company had sufficient liquid assets in 2020 and there was no need to withdraw additional credit lines. At this stage, management is unable to reliably assess the future impact of the COVID-19 pandemic on the Company's operations. These circumstances indicate the existence of material uncertainty that may cause significant doubt in the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF "BEOGRADSKO MEŠOVITO PREDUZEĆE" d.o.o. BELGRADE (Continued)

Emphasis of Matter

We draw your attention to Note 39 to the separate financial statements in which it was disclosed that the total amount of damage claims arising from litigations initiated against the Company as of 31 December 2020 totals RSD 294,057 thousand, excluding penalty interest, if any, that can be established upon termination of litigations. As of the separate balance sheet date, the Company established provisions based on potential losses that may arise from the above-mentioned litigations in the amount of RSD 138,231 thousand. The Company's management believes that it is not possible to predict with certainty the outcome of all litigations considering the early stage of certain litigations, and that it will not be exposed to material potential losses on this basis, except for provisions already presented in the separate financial statements. Our opinion is not modified in respect of this matter.

Other Matters

a) The separate financial statements of the Company as of and for the year ended 31 December 2019 were audited by another auditor who expressed an unqualified opinion on those financial statements on 27 July 2020, with an emphasis of matter regarding the material uncertainty related to the going concern assumption and litigations initiated against the Company as of the separate balance sheet date.

b) Report on Other Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements performed in accordance with accounting regulations of the Republic of Serbia. The additional information in Appendices relate to presentation of the statutory financial statements (originally denominated into Serbian Dinar) into EUR and are not part of the statutory financial statements. This additional information is the responsibility of the Company's management. Such information has been subject to the auditing procedures applied in our audit of the statutory financial statements and, in our opinion, has been prepared, in all material respects in relation to the financial statements prepared in accordance with accounting regulations of the Republic of Serbia.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with the accounting regulations prevailing in the Republic of Serbia, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF "BEOGRADSKO MEŠOVITO PREDUZEĆE" d.o.o. BELGRADE
(Continued)

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

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Belgrade, 17 June 2021

Igor Radmanovic
Certified Auditor

INCOME STATEMENT
Year Ended December 31, 2020
(Thousands of RSD)

To be filled by legal entity - entrepreneur

Registration number	0	7	4	5	6	2	6	3	Activity code	5	5	1	0	TIN	1	0	0	0	0	0	8	0	5
Name: Hotel Shareholding Company BEOGRADSKO MEŠOVITO PREDUZEĆE A.D., Beograd																							
Registered office: Novi Beograd, Milentija Popovića 5																							

INCOME STATEMENT
for the period from January 1, 2020 to December 31, 2020

- in 000 RSD -

Group of accounts, account	ITEM	ADP	Note number	A m o u n t	
				Current year	Previous year
1	2	3	4	5	6
	INCOME FROM OPERATIONS				
60 to 65, except 62 and 63	A. OPERATING INCOME (1002 + 1009 + 1016 + 1017)	1001		551862	1406917
60	I. SALES OF GOODS (1003 + 1004 + 1005 + 1006 + 1007+ 1008)	1002	5	33673	84033
600	1. Sales of goods to domestic parent companies and subsidiaries	1003			
601	2. Sales of goods to foreign parent companies and subsidiaries	1004			
602	3. Sales of goods to other related parties in the domestic market	1005			
603	4. Sales of goods to other related parties in the foreign market	1006			
604	5. Sales of goods sold to domestic customers	1007	5	33673	84033
605	6. Sales of goods sold to foreign customers	1008			
61	II. SALES OF PRODUCTS AND SERVICES (1010 + 1011 + 1012 + 1013 + 1014 + 1015)	1009	5	439167	1274444
610	1. Sales of products and services to domestic parent companies and subsidiaries	1010	5	999	
611	2. Sales of products and services to foreign parent companies and subsidiaries	1011			
612	3. Sales of products and services to other related parties in the domestic market	1012	5		2733
613	4. Sales of products and services to other related parties in the foreign market	1013			
614	5. Sales of products and services to domestic customers	1014	5	438168	1271711
615	6. Sales of products and services to foreign customers	1015			
64	III. INCOME FROM PREMIUMS, SUBSIDIES, GRANTS, DONATIONS AND SIMILAR	1016		51826	
65	IV. OTHER OPERATING INCOME	1017	6	27196	48440
	EXPENSES FROM OPERATIONS				
50 to 55, 62 and 63	B. OPERATING EXPENSES (1019 - 1020 - 1021 + 1022 + 1023 + 1024 + 1025 + 1026 + 1027 + 1028 + 1029) ≥ 0	1018		700144	1144971

Group of accounts, account	ITEM	ADP	Note number	A m o u n t	
				Current year	Previous year
1	2	3	4	5	6
50	I. COST OF GOODS SOLD	1019		9769	18298
62	II. REVENUE FROM UNDERTAKING FOR OWN PURPOSES	1020			
630	III. INCREASE IN VALUE OF INVENTORIES OF WORK IN PROGRESS AND FINISHED PRODUCTS AND UNFINISHED SERVICES	1021			
631	IV. DECREASE IN VALUE OF INVENTORIES OF WORK IN PROGRESS AND FINISHED PRODUCTS AND UNFINISHED SERVICES	1022			
51 except 513	V. RAW MATERIAL COSTS	1023	7	75947	158481
513	VI. FUEL AND ENERGY COSTS	1024	8	50775	70875
52	VII. STAFF COSTS	1025	9	262873	382104
53	VIII. PRODUCTION SERVICES COSTS	1026	10	66692	103830
540	IX. DEPRECIATION COSTS	1027	11	160134	154297
541 to 549	X. LONG-TERM PROVISIONS	1028	12		35568
55	XI. NON-MATERIAL COSTS	1029	13	73954	221518
	V. OPERATING PROFIT (1001 - 1018) ≥ 0	1030			261946
	G. OPERATING LOSS (1018 - 1001) ≥ 0	1031		148282	
66	D. FINANCIAL INCOME (1033 + 1038 + 1039)	1032	14	19070	16577
66, except 662, 663 and 664	I. FINANCE INCOME FROM RELATED PARTIES AND OTHER FINANCE INCOME (1034 + 1035 + 1036 + 1037)	1033		8695	7668
660	1. Finance income from parent company and subsidiaries	1034	14	8695	
661	2. Finance income from other related parties	1035	14		7668
665	3. Share in the profits of related parties and joint ventures	1036			
669	4. Other Finance income	1037			
662	II. INCOME FROM INTEREST (FROM THIRD PARTIES)	1038	14	795	8893
663 and 664	III. POSITIVE EFFECTS ON EXCHANGE RATE AND EFFECTS OF FOREIGN CURRENCY CLAUSE (TO THIRD PARTIES)	1039	14	9580	16
56	Đ. FINANCE EXPENSES (1041 + 1046 + 1047)	1040	15	15914	2786
56, except 562, 563 and 564	I. FINANCE EXPENSES INCURRED WITH related parties AND OTHER FINANCE EXPENSES (1042 + 1043 + 1044 + 1045)	1041		36	1055
560	1. Finance expenses incurred with parent company and subsidiaries	1042	15	36	
561	2. Finance expenses incurred with other related parties	1043	15		1055
565	3. Share in losses of related parties and joint ventures	1044			

Group of accounts, account	ITEM	ADP	Note number	A m o u n t	
				Current year	Previous year
1	2	3	4	5	6
566 and 569	4. Other financial expenses	1045			
562	II. INTEREST EXPENSES (TO THIRD PARTIES)	1046	15	7096	32
563 and 564	III. NEGATIVE EFFECTS ON EXCHANGE RATE AND EFFECTS OF FOREIGN CURRENCY CLAUSE (TO THIRD PARTIES)	1047	15	8782	1699
	E. PROFIT FROM FINANCING (1032 - 1040)	1048		3156	13791
	Ž. LOSS FROM FINANCING (1040 - 1032)	1049			
683 and 685	Z. INCOME ON VALUE ADJUSTMENT OF OTHER ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT AND LOSS ACCOUNT	1050			
583 and 585	I. EXPENSES ON VALUE ADJUSTMENT OF OTHER ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT AND LOSS ACCOUNT	1051	21	207134	
67 and 68, except 683 and 685	J. OTHER INCOME	1052	16	1642	2015
57 and 58, except 583 and 585	K. OTHER EXPENSES	1053	17	3178	4589
	L. PROFIT FROM REGULAR OPERATIONS BEFORE TAX (1030 - 1031 + 1048 - 1049 + 1050 - 1051 + 1052 - 1053)	1054			273163
	Lj. LOSS FROM REGULAR OPERATIONS BEFORE TAX (1031 - 1030 + 1049 - 1048 + 1051 - 1050 + 1053 - 1052)	1055		353796	
69-59	M. NET PROFIT FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS	1056		750	
59-69	N. NET LOSS FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS	1057			
	Nj. PROFIT BEFORE TAX (1054 - 1055 + 1056 - 1057)	1058			273163
	O. LOSS BEFORE TAX (1055 - 1054 + 1057 - 1056)	1059	18 b	353046	
	P. TAX ON PROFIT				
721	I. CURRENT INCOME TAX EXPENSES	1060	18a		52002
part of 722	II. DEFERRED TAX EXPENSES OF A PERIOD	1061			
part of 722	III. DEFERRED TAX BENEFITS OF A PERIOD	1062	18a	6883	10714
723	R. PERSONAL INDEMNITIES PAID TO EMPLOYER	1063			
	Š. NET PROFIT (1058 - 1059 - 1060 - 1061 + 1062 - 1063)	1064			231875
	T. NET LOSS (1059 - 1058 + 1060 + 1061 - 1062 + 1063)	1065		346163	
	I. NET PROFIT WHICH BELONGS TO MINORITY INVESTORS	1066			
	II. NET PROFIT WHICH BELONGS TO MAJORITY OWNER	1067			
	III. NET LOSS WHICH BELONGS TO MINORITY INVESTORS	1068			
	IV. NET LOSS WHICH BELONGS TO MAJORITY OWNER	1069			

	V. EARNINGS PER SHARE				
	1. BASIC EARNING PER SHARE	1070			
	2. DILUTED EARNING PER SHARE	1071			

In _____ Legal representative
on _____ 20_____ S.P.

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

STATEMENT OF OTHER COMPREHENSIVE INCOME
Year Ended December 31, 2020
(Thousands of RSD)

To be filled by legal entity - entrepreneur																						
Basic identification number	0	7	4	5	6	2	6	3	Activity code	5	5	1	0	TIN	1	0	0	0	0	8	0	5
Name: Hotel Shareholding Company BEOGRADSKO MEŠOVITO PREDUZEĆE A.D., Beograd																						
Registered office: Novi Beograd, Milentija Popovića 5																						

STATEMENT OF OTHER COMPREHENSIVE INCOME
for the period from January 1, 2020 to December 31, 2020

- in 000 RSD -

Group of accounts, account	ITEM	ADP	Note number	Amount	
				Current year	Previous year
1	2	3	4	5	6
	A. NET OPERATING RESULT				
	I. NET PROFIT (ADP 1064)	2001			231875
	II. NET LOSS (ADP 1065)	2002		346163	
	B. OTHER COMPREHENSIVE PROFIT OR LOSS				
	a) items that will not be reclassified into profit and loss in future periods				
330	1. Revaluations of intangible assets, immovables, plant and equipment				
	a) increase in revaluation reserves	2003			
	b) decrease in revaluation reserves	2004			
331	2. Actuarial profits or losses arising from a defined income plan				
	a) profit	2005			
	b) losses	2006			
332	3. Profit or losses from investing in equity instruments				
	a) profit	2007			
	b) losses	2008			
333	4. Profit or losses from shares in other comprehensive profit or loss of associated companies				
	a) profit	2009			
	b) losses	2010			
	b) items that can subsequently be reclassified into profit or loss in future periods				
334	1. Profit or losses from conversion of financial statements of foreign operations				
	a) profit	2011			
	b) losses	2012			

Group of accounts, account	ITEM	ADP	Note number	Amount	
				Current year	Previous year
1	2	3	4	5	6
335	2. Profit or losses on hedging instruments of net investment in foreign operations				
	a) profit	2013			
	b) losses	2014			
336	3. Profit or losses on cash flow hedging instruments				
	a) profit	2015			
	b) losses	2016			
337	4. Profit or losses on available-for-sale securities				
	a) profit	2017			
	b) losses	2018			
	I. OTHER GROSS COMPREHENSIVE INCOME (2003 + 2005 + 2007 + 2009 + 2011 + 2013 + 2015 + 2017) - (2004 + 2006 + 2008 + 2010 + 2012 + 2014 + 2016 + 2018) ≥ 0	2019			
	II. OTHER GROSS COMPREHENSIVE LOSS (2004 + 2006 + 2008 + 2010 + 2012 + 2014 + 2016 + 2018) - (2003 + 2005 + 2007 + 2009 + 2011 + 2013 + 2015 + 2017) ≥ 0	2020			
	III. TAX ON OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	2021			
	IV. NET OTHER COMPREHENSIVE PROFIT(2019 - 2020 - 2021) ≥ 0	2022			
	V. NET OTHER COMPREHENSIVE LOSS (2020 - 2019 + 2021) ≥ 0	2023			
	V. TOTAL NET COMPREHENSIVE RESULT FOR THE PERIOD				
	I. TOTAL NET COMPREHENSIVE RESULT (2001 - 2002 + 2022 - 2023) ≥ 0	2024			231875
	II. TOTAL NET COMPREHENSIVE LOSS (2002 - 2001 + 2023 - 2022) ≥ 0	2025		346163	
	G. TOTAL NET COMPREHENSIVE PROFIT OR LOSS (2027 + 2028) = ADP 2024 ≥ 0 or ADP 2025 > 0	2026		0	0
	1. Attributed to majority shareholders	2027			
	2. Attributed to non-controlling shareholders	2028			

In _____ on _____ 20____	Legal representative S.P.
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Notes on the following pages form
an integral part of these financial statements

BALANCE SHEET
As of December 31, 2020
(Thousands of RSD)

To be filled by legal entity - entrepreneur

Registration number	0	7	4	5	6	2	6	3	Activity code	5	5	1	0	TIN	1	0	0	0	0	0	8	0	5
Name: Hotel Shareholding Company BEOGRADSKO MEŠOVITO PREDUZEĆE A.D., Beograd																							
Registered office: Novi Beograd, Milentija Popovića 5																							

BALANCE SHEET
on December 31, 2020

- in 000 RSD -

Group of accounts, account	ITEM	ADP	Note number	Amount		
				Current year	Previous year	
					Closing balance _____ 20__	Opening balance as at 1 January 20__
1	2	3	4	5	6	7
	ASSETS					
00	A. SUBSCRIBED CAPITAL UNPAID	0001				
	B. PERMANENT ASSETS (0003 + 0010 + 0019 + 0024 + 0034)	0002		2826021	2355113	0
01	I. INTANGIBLE ASSETS (0004 + 0005 + 0006 + 0007 + 0008 + 0009)	0003	19	11717	11157	0
010 and part of 019	1. Investment in development	0004				
011, 012 and part of 019	2. Concessions, patents, licenses, trademarks, service marks, software and similar rights	0005	19	2558	3997	
013 and part of 019	3. Goodwill	0006				
014 and part 019	4. Other intangible assets	0007	19	9159	7160	
015 and part 019	5. In-process intangible assets	0008				
016 and part 019	6. Advances for intangible assets	0009				
02	II. IMMOVABLES, PLANTS AND EQUIPMENT (0011 + 0012 + 0013 + 0014 + 0015 + 0016 + 0017 + 0018)	0010	20	2105352	2223427	0
020, 021 and part 029	1. Land	0011	20	584640	584640	
022 and part 029	2. Buildings	0012	20	1305359	1391748	
023 and part 029	3. Plant and equipment	0013	20	214021	237554	
024 and part 029	4. Investment immovables	0014				
025 and part 029	5. Other immovables, plant and equipment	0015				
026 and part 029	6 Immovables, plant and equipment under construction	0016				

027 and part 029	7. Investments in third-party immovables, plant and equipment	0017				
028 and part 029	8. Advances for immovables, plant and equipment	0018	20	1332	9485	
03	III. BIOLOGICAL RESOURCES (0020 + 0021 + 0022 + 0023)	0019				
030, 031 and part 039	1. Forest and plantations	0020				
032 and part 039	2. Livestock	0021				
037 and part 039	3. Biological resources in preparation	0022				
038 and part 039	4. Advances for biological resources	0023				
04 except 047	IV. LONG-TERM FINANCIAL INVESTMENTS (0025 + 0026 + 0027 + 0028 + 0029 + 0030 + 0031 + 0032 + 0033)	0024	21	708952	120529	0
040 and part 049	1. Participation in equity of subsidiaries	0025	21	459055		
041 and part 049	2. Participation in equity of associates and joint ventures	0026				
042 and part 049	3. Participation in equity in other legal entities and other securities for sale	0027				
part 043, part 044 and part 049	4. Long-term investments in parent companies and subsidiaries	0028	21	249897		
part 043, part 044 and part 049	5. Long-term investments in other associated legal entities	0029	21		120529	
part 045 and part 049	6. Long-term investments - domestic	0030				
part 045 and part 049	7. Long-term investments - foreign	0031				
046 and part 049	8. Securities held to maturity	0032				
048 and part 049	9. Other long-term financial investments	0033				
05	V. LONG-TERM FINANCIAL RECEIVABLES (0035 + 0036 + 0037 + 0038 + 0039 + 0040 + 0041)	0034		0	0	0
050 and part 059	1. Receivables from parent company and subsidiaries	0035				
051 and part 059	2. Receivables from other associated companies	0036				
052 and part 059	3. Receivables from credit sales	0037				
053 and part 059	4. Receivables from sales made under financial leasing contracts	0038				
054 and part 059	5. Receivables on sureties	0039				
055 and part 059	6. Contested and doubtful receivables	0040				
056 and part 059	7. Other long-term receivables	0041				
288	V. DEFERRED TAX ASSETS	0042				

Group of accounts, account	ITEM	ADP	Note number	Amount		
				Current year	Previous year	
					Closing balance ____ 20__	Opening balance as at 1 January 20__
1	2	3	4	5	6	7
	G. CURRENT ASSETS (0044 + 0051 + 0059 + 0060 + 0061 + 0062 + 0068 + 0069 + 0070)	0043		286600	1192040	0
Class 1	I. INVENTORIES (0045 + 0046 + 0047 + 0048 + 0049 + 0050)	0044	22	34808	57022	0
10	1. Materials, spare parts, tools and small inventory	0045	22	23579	31451	
11	2. Work and services in progress	0046				
12	3. Finished products	0047				
13	4. Goods	0048	22	6951	10596	
14	5. Permanent assets held for sale	0049				
15	6. Advances paid for inventories and services	0050	22	4278	14975	
20	II. RECEIVABLES FROM SALES (0052 + 0053 + 0054 + 0055 + 0056 + 0057 + 0058)	0051	23	11466	27763	0
200 and part 209	1. Domestic trade receivables - parent companies and subsidiaries	0052	23	131		
201 and part 209	2. Foreign trade receivables - parent companies and subsidiaries	0053				
202 and part 209	3. Domestic trade receivables - other related parties	0054	23		290	
203 and part 209	4. Foreign trade receivables - other related parties	0055				
204 and part 209	5. Trade receivables - domestic	0056	23	11335	27473	
205 and part 209	6. Trade receivables - foreign	0057				
206 and part 209	7. Other receivables from sales	0058				
21	III. RECEIVABLES FROM SPECIFIC BUSINESS OPERATIONS	0059			2	
22	IV. OTHER RECEIVABLES	0060		57441	3881	
236	V. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS ACCOUNT	0061				
23 except 236 and 237	VI. SHORT-TERM FINANCIAL INVESTMENTS (0063 + 0064 + 0065 + 0066 + 0067)	0062	25	0	209386	0
230 and part 239	1. Short-term loans and investments in parent companies and subsidiaries	0063				
231 and part 239	2. Short-term loans and investments in other associated companies	0064	25		129386	
232 and part 239	3. Short-term loans - domestic	0065				
233 and part 239	4. Short-term loans - foreign	0066				

Group of accounts, account	ITEM	ADP	Note number	Amount		
				Current year	Previous year	
					Closing balance ____ 20__	Opening balance as at 1 January 20__
1	2	3	4	5	6	7
234, 235, 238 and part 239	5. Other short-term financial investments	0067	25		80000	
24	VII. CASH AND CASH EQUIVALENTS	0068	26	172607	887620	
27	VIII. VALUE ADDED TAX	0069				
28 except 288	IX. ACCRUED EXPENSES	0070	27	10278	6366	
	D. TOTAL ASSETS = OPERATING ASSETS (0001 + 0002 + 0042 + 0043)	0071		3112621	3547153	0
88	Đ. OFF-BALANCE SHEET ASSETS	0072		2639	44	
	EQUITY AND LIABILITIES					
	A. EQUITY (0402 + 0411 - 0412 + 0413 + 0414 + 0415 - 0416 + 0417 + 0420 - 0421) ≥ 0 = (0071 - 0424 - 0441 - 0442)	0401	28	2534326	2880489	
30	I. CAPITAL (0403 + 0404 + 0405 + 0406 + 0407 + 0408 + 0409 + 0410)	0402	28	2702379	2702379	0
300	1. Share capital	0403	28	2702379	2702379	
301	2. Stakes in limited liability companies	0404				
302	3. Participating interests	0405				
303	4. State owned capital	0406				
304	5. Socially owned capital	0407				
305	6. Stakes in cooperatives	0408				
306	7. Share premium	0409				
309	8. Other capital	0410				
31	II. SUBSCRIBED CAPITAL UNPAID	0411				
047 and 237	III. REPURCHASE OWN SHARES	0412	28	145923	145923	
32	IV. RESERVES	0413	28	361669	361669	
330	V. REVALUATION RESERVES FROM INTANGIBLE ASSETS, IMMOVABLES, PLANTS AND EQUIPMENT	0414				
33 except 330	VI. UNREALIZED PROFITS FROM SECURITIES AND OTHER ELEMENTS OF OTHER COMPREHENSIVE INCOME (credit balance accounts of group 33 except 330)	0415				

Group of accounts, account	ITEM	ADP	Note number	Amount		
				Current year	Previous year	
					Closing balance ____ 20__	Opening balance as at 1 January 20__
1	2	3	4	5	6	7
33 except 330	VII. UNREALIZED LOSSES FROM SECURITIES AND OTHER ELEMENTS OF OTHER COMPREHENSIVE INCOME (debit balance accounts of group 33 except 330)	0416				
34	VIII. RETAINED EARNINGS (0418 + 0419)	0417	28	1180314	1180314	0
340	1. Retained earnings from previous years	0418	28	1180314	948439	
341	2. Retained earnings for the current year	0419	28		231875	
	IX. PARTICIPATION WITHOUT CONTROL RIGHTS	0420				
35	X. LOSS (0422 + 0423)	0421	28	1564113	1217950	0
350	1. Loss from previous years	0422	28	1217950	1217950	
351	2. Loss for the current year	0423	28	346163		
	B. LONG-TERM PROVISIONS AND LIABILITIES (0425 + 0432)	0424		357168	405378	0
40	I. LONG-TERM PROVISIONS (0426 + 0427 + 0428 + 0429 + 0430 + 0431)	0425	29	147153	147998	0
400	1. Provisions for costs incurred during the warranty period	0426				
401	2. Provisions for the recovery of natural resources	0427				
403	3. Provisions for restructuring costs	0428				
404	4. Provisions for compensations and other employment benefits	0429	29	8922	9767	
405	5. Provisions for litigation expenses	0430	29	138231	138231	
402 and 409	6. Other long-term provisions	0431				
41	II. LONG-TERM LIABILITIES (0433 + 0434 + 0435 + 0436 + 0437 + 0438 + 0439 + 0440)	0432		210015	257380	0
410	1. Debts convertible into equity	0433				
411	2. Liabilities to parent companies and subsidiaries	0434				
412	3. Liabilities to other related parties	0435				
413	4. Liabilities for long-term securities	0436				
414	5. Long-term loans - domestic	0437	30	206481	254000	
415	6. Long-term loans - foreign	0438				

Group of accounts, account	ITEM	ADP	Note number	Amount		
				Current year	Previous year	
					Closing balance _____ 20__	Opening balance as at 1 January 20__
1	2	3	4	5	6	7
416	7. Financial leasing liabilities	0439				
419	8. Other long-term liabilities	0440	30	3534	3380	
498	V. DEFERRED TAX LIABILITIES	0441	18v	77330	84213	
from 42 to 49, (except 498)	G. SHORT-TERM LIABILITIES (0443 + 0450 + 0451 + 0459 + 0460 + 0461 + 0462)	0442		143797	177073	0
42	I. SHORT-TERM FINANCIAL LIABILITIES (0444 + 0445 + 0446 + 0447 + 0448 + 0449)	0443	31	63533	63974	0
420	1. Short-term loans from parent company and subsidiaries	0444				
421	2. Short-term loans from other associated companies	0445				
422	3. Short-term loans - domestic	0446				
423	4. Short-term loans - foreign	0447				
427	5. Liabilities for permanent assets and assets of discontinued operations held for sale	0448				
424, 425, 426 and 429	6. Other short-term financial liabilities	0449	31	63533	63974	
430	II. ADVANCES, DEPOSITS AND GUARANTEES	0450	32	11962	20289	
43 except 430	III. OPERATING LIABILITIES (0452 + 0453 + 0454 + 0455 + 0456 + 0457 + 0458)	0451	32	22090	24696	0
431	1. Trade payables - domestic parent company and subsidiaries	0452	32	705		
432	2. Trade payables - foreign parent company and subsidiaries	0453				
433	3. Trade payables - other domestic related parties	0454				
434	4. Trade payables - other foreign related parties	0455	32	12620	7683	
435	5. Trade payables - domestic	0456	32	4958	13419	
436	6. Trade payables - foreign	0457	32	3806	3594	
439	7. Other account trade payables	0458	32	1		
44, 45 and 46	IV. OTHER SHORT-TERM LIABILITIES	0459	33	24269	1581	
47	V. LIABILITIES FOR VALUE ADDED TAX	0460	34	1087	11484	
48	VI. LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND OTHER DUTIES	0461	35	263	14275	
49 except 498	VII. DEFERRED EXPENSES	0462		20593	40774	

**Hotel Shareholding Company
BEOGRADSKO MEŠOVITO PREDUZEĆE A.D., BEOGRAD**

Group of accounts, account	ITEM	ADP	Note number	Amount		
				Current year	Previous year	
					Closing balance _____ 20__	Opening balance as at 1 January 20__
1	2	3	4	5	6	7
	D. LOSS ABOVE EQUITY (0412 + 0416 + 0421 - 0420 - 0417 - 0415 - 0414 - 0413 - 0411 - 0402) ≥ 0 = (0441 + 0424 + 0442 - 0071) ≥ 0	0463				
	Đ. TOTAL EQUITY AND LIABILITIES (0424 + 0442 + 0441 + 0401 - 0463) ≥ 0	0464		3112621	3547153	
89	E. OFF-BALANCE SHEET LIABILITIES	0465		2639	44	

In _____ _____ on _____ 20____	Legal representative S.P.
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Notes on the following pages form
an integral part of these financial statements

Hotel Shareholding Company
BEOGRADSKO MEŠOVITO PREDUZEĆE A.D., BEOGRAD

STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2020
(Thousands of RSD)

To be filled by legal entity - entrepreneur

Registration number 0 7 4 5 6 2 6 3 Activity code 5 5 1 0 TIN 1 0 0 0 0 0 8 0 5
Name: Hotel Shareholding Company BEOGRADSKO MEŠOVITO PREDUZEĆE A.D., Beograd
Registered office: Novi Beograd, Milentija Popovića 5

STATEMENT OF CHANGES IN EQUITY
in period from January 1 to December 31, 2020

- in 000 RSD -

No	DESCRIPTION	Equity					
		ADP	30 Capital	ADP	31 Subscribed capital unpaid	ADP	32 Reserves
1	2		3		4		5
1.	Opening balance of the prior year as at 1 January						
	a) debit balance account	4001		4019		4037	
	b) credit balance account	4002	2702379	4020		4038	361669
2.	Correction of material important mistakes and changes of accounting policies						
	a) corrections on the debit side of the account	4003		4021		4039	
	a) corrections on the credit side of the account	4004		4022		4040	
3.	Corrected opening balance of the prior year as at 1 January						
	a) corrected debit balance of the account (1a + 2a - 2b) ≥ 0	4005		4023		4041	
	a) corrected credit balance of the account (1b - 2a + 2b) ≥ 0	4006	2702379	4024		4042	361669
4.	Changes in the previous year						
	a) turnover on the debit side of the account	4007		4025		4043	
	b) turnover on the credit side of the account	4008		4026		4044	
5.	State at the end of the previous year 31 December						
	a) account's debit balance (3a + 4a - 4b) ≥ 0	4009		4027		4045	
	b) account's credit balance (3b - 4a + 4b) ≥ 0	4010	2702379	4028		4046	361669
6.	Correction of material important mistakes and changes of accounting policies						
	a) corrections on the account's debit side	4011		4029		4047	
	a) corrections on the account's credit side	4012		4030		4048	
7.	Corrected opening balance of the current year as at 1 January						
	a) corrected debit balance of the account (5a + 6a - 6b) ≥ 0	4013		4031		4049	
	a) corrected credit balance of the account (5b - 6a + 6b) ≥ 0	4014	2702379	4032		4050	361669
8.	Changes in the current year						
	a) turnover on the debit side of the account	4015		4033		4051	
	b) turnover on the credit side of the account	4016		4034		4052	
9.	State at the end of the current year 31 December						
	a) account's debit balance (7a + 8a - 8b) ≥ 0	4017		4035		4053	
	b) account's credit balance (7b - 8a + 8b) ≥ 0	4018	2702379	4036		4054	361669

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Hotel Shareholding Company
BEOGRADSKO MEŠOVITO PREDUZEĆE A.D., BEOGRAD

No	DESCRIPTION	Components of capital					
		ADP	35 Loss	ADP	047 and 237 Treasury shares	ADP	34 Retained earnings
	2		6		7		8
1.	Opening balance of the prior year as at 1 January _____						
	a) debit balance account	4055	1217950	4073		4091	
	b) credit balance account	4056		4074		4092	948439
2.	Correction of material important mistakes and changes of accounting policies						
	a) corrections on the debit side of the account	4057		4075		4093	
	b) corrections on the credit side of the account	4058		4076		4094	
3.	Corrected opening balance of the prior year as at 1 January _____						
	a) corrected debit balance of the account (1a + 2a - 26) ≥ 0	4059	1217950	4077		4095	
	a) corrected credit balance of the account (1b - 2a + 26) ≥ 0	4060		4078		4096	948439
4.	Changes in the previous _____ year						
	a) turnover on the debit side of the account	4061		4079	145923	4097	
	b) turnover on the credit side of the account	4062		4080		4098	231875
5.	State at the end of the previous year as at 31 December _____						
	a) account's debit balance (3a + 4a - 4b) ≥ 0	4063	1217950	4081	145923	4099	
	b) account's credit balance (3b - 4a + 4b) ≥ 0	4064		4082		4100	1180314
6.	Correction of material important mistakes and changes of accounting policies						
	a) corrections on the account's debit side	4065		4083		4101	
	b) corrections on the account's credit side	4066		4084		4102	
7.	Corrected opening balance of the current year as at 1 January _____						
	a) corrected debit balance of the account (5a + 6a - 6b) ≥ 0	4067	1217950	4085	145923	4103	
	a) corrected credit balance of the account (5b - 6a + 6b) ≥ 0	4068		4086		4104	1180314
8.	Changes in the current _____ year						
	a) turnover on the debit side of the account	4069	346163	4087		4105	
	b) turnover on the credit side of the account	4070		4088		4106	
9.	State at the end of the current year as at 31 December _____						
	a) debit balance of the account (7a + 8a - 8b) ≥ 0	4071	1564113	4089	145923	4107	
	b) credit balance of the account (7b - 8a + 8b) ≥ 0	4072		4090		4108	1180314

**Hotel Shareholding Company
BEOGRADSKO MEŠOVITO PREDUZEĆE A.D., BEOGRAD**

No	DESCRIPTION	Comprehensive income					
		ADP	330	ADP	331	ADP	332
			Revaluation reserves		Actuarial profit or loss		Profits or losses from investing in owners equity instruments
1	2		9		10		11
1.	Opening balance of the prior year as at 1 January _____						
	a) debit balance account	4109		4127		4145	
	b) credit balance account	4110		4128		4146	
2.	Correction of material important mistakes and changes of accounting policies						
	a) corrections on the debit side of the account	4111		4129		4147	
	b) corrections on the credit side of the account	4112		4130		4148	
3.	Corrected opening balance of the prior year as at 1 January _____						
	a) corrected debit balance of the account $(1b + 2a - 26) \geq 0$	4113		4131		4149	
	a) corrected credit balance of the account $(1a - 2a + 26) \geq 0$	4114		4132		4150	
4.	Changes in the previous year _____						
	a) turnover on the debit side of the account	4115		4133		4151	
	b) turnover on the credit side of the account	4116		4134		4152	
5.	State at the end of the previous year as at 31 December _____						
	a) account's debit balance $(3a + 4a - 4b) \geq 0$	4117		4135		4153	
	b) account's credit balance $(3b - 4a + 4b) \geq 0$	4118		4136		4154	
6.	Correction of material important mistakes and changes of accounting policies						
	a) corrections on the account's debit side	4119		4137		4155	
	b) corrections on the account's credit side	4120		4138		4156	
7.	Corrected opening balance of the current year as at 1 January _____						
	a) corrected debit balance of the account $(5a + 6a - 6b) \geq 0$	4121		4139		4157	
	b) corrected credit balance of the account $(5b - 6a + 6b) \geq 0$	4122		4140		4158	
8.	Changes in the current _____ year						
	a) turnover on the debit side of the account	4123		4141		4159	
	b) turnover on the credit side of the account	4124		4142		4160	
9.	State at the end of the current year as at 31 December _____						
	a) account's debit balance $(7a + 8a - 8b) \geq 0$	4125		4143		4161	
	b) account's credit balance $(7b - 8a + 8b) \geq 0$	4126		4144		4162	

**Hotel Shareholding Company
BEOGRADSKO MEŠOVITO PREDUZEĆE A.D., BEOGRAD**

No	DESCRIPTION	Comprehensive income					
		ADP	333	ADP	334 and 335	ADP	336
			Profits or losses from shares in other comprehensive profit or losses of associated companies		Profits and losses from foreign operations and from conversion of foreign financial statements		Profits or losses from cash flow hedging
1	2		12		13		14
1.	Opening balance of the prior year as at 1 January _____						
	a) debit balance account	4163		4181		4199	
	b) credit balance account	4164		4182		4200	
2.	Correction of material important mistakes and changes of accounting policies						
	a) corrections on the debit side of the account	4165		4183		4201	
	b) corrections on the credit side of the account	4166		4184		4202	
3.	Corrected opening balance of the prior year as at 1 January _____						
	a) corrected debit balance of the account $(1a + 2a - 2b) \geq 0$	4167		4185		4203	
	a) corrected credit balance of the account $(1a - 2a + 2b) \geq 0$	4168		4186		4204	
4.	Changes in the previous year _____						
	a) turnover on the debit side of the account	4169		4187		4205	
	b) turnover on the credit side of the account	4170		4188		4206	
5.	State at the end of the previous year as at 31 December _____						
	a) account's debit balance $(3a + 4a - 4b) \geq 0$	4171		4189		4207	
	b) account's credit balance $(3b - 4a + 4b) \geq 0$	4172		4190		4208	
6.	Correction of material important mistakes and changes of accounting policies						
	a) corrections on the account's debit side	4173		4191		4209	
	b) corrections on the account's credit side	4174		4192		4210	
7.	Corrected opening balance of the current year as at 1 January _____						
	a) corrected debit balance of the account $(5a + 6a - 6b) \geq 0$	4175		4193		4211	
	b) corrected credit balance of the account $(5b - 6a + 6b) \geq 0$	4176		4194		4212	
8.	Changes in the current _____ year						
	a) turnover on the debit side of the account	4177		4195		4213	
	b) turnover on the credit side of the account	4178		4196		4214	
9.	State at the end of the current year as at 31 December _____						
	a) account's debit balance $(7a + 8a - 8b) \geq 0$	4179		4197		4215	
	b) account's credit balance $(7b - 8a + 8b) \geq 0$	4180		4198		4216	

Hotel Shareholding Company
BEOGRADSKO MEŠOVITO PREDUZEĆE A.D., BEOGRAD

No	DESCRIPTION	Components of comprehensive income		ADP	Total Equity [$\sum(\text{row 1b col. 3 to col. 15}) - \sum(\text{row 1a col. 3 to col. 15}) \geq 0$]	ADP	Loss above equity [$\sum(\text{row 1a col. 3 to col. 15}) - \sum(\text{row 1b col. 3 to col. 15}) \geq 0$]
		ADP	337 Profit or losses on available-for-sale securities				
1	2		15		16		17
1.	Opening balance of the prior year as at 1 January _____						
	a) debit balance account	4217		4235	2794537	4244	
	b) credit balance account	4218					
2.	Correction of material important mistakes and changes of accounting policies						
	a) corrections on the debit side of the account	4219		4236		4245	
	b) corrections on the credit side of the account	4220					
3.	Corrected opening balance of the prior year as at 1 January _____						
	a) corrected debit balance of the account ($1a + 2a - 2b \geq 0$)	4221		4237	2794537	4246	
	b) corrected credit balance of the account ($1b - 2a + 2b \geq 0$)	4222					
4.	Changes in the previous year _____						
	a) turnover on the debit side of the account	4223		4238	85952	4247	
	b) turnover on the credit side of the account	4224					
5.	State at the end of the previous year 31 December _____						
	a) account's debit balance ($3a + 4a - 4b \geq 0$)	4225		4239	2880489	4248	
	b) account's credit balance ($3b - 4a + 4b \geq 0$)	4226					
6.	Correction of material important mistakes and changes of accounting policies						
	a) corrections on the account's debit side	4227		4240		4249	
	b) corrections on the account's credit side	4228					
7.	Corrected opening balance of the current year as at 1 January _____						
	a) corrected debit balance of the account ($5a + 6a - 6b \geq 0$)	4229		4241	2880489	4250	
	b) corrected credit balance of the account ($5b - 6a + 6b \geq 0$)	4230					
8.	Changes in the current year _____						
	a) turnover on the debit side of the account	4231		4242	346163	4251	
	b) turnover on the credit side of the account	4232					
9.	State at the end of the current year as at 31 December _____						
	a) account's debit balance ($7a + 8a - 8b \geq 0$)	4233		4243	2534326	4252	
	b) account's credit balance ($7b - 8a + 8b \geq 0$)	4234					

In _____	Legal representative
on _____ 20 _____	S.P.

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

STATEMENT OF CASH FLOWS
Year Ended December 31, 2020
(Thousands of RSD)

To be filled by legal entity - entrepreneur																							
Basic identification number	0	7	4	5	6	2	6	3	Activity code	5	5	1	0	TIN	1	0	0	0	0	0	8	0	5
Name: Hotel Shareholding Company BEOGRADSKO MEŠOVITO PREDUZEĆE A.D., Beograd																							
Registered office: Novi Beograd, Milentija Popovića 5																							

STATEMENT OF CASH FLOWS
in the period from January 1, 2020 to December 31, 2020

- in 000 RSD -

ITEM	ADP	Amount	
		Current year	Previous year
1	2	3	4
A. CASH FLOWS FROM OPERATING ACTIVITIES	3001	728115	1629932
I. Cash inflows from operating activities (from 1 to 3)			
1. Inflows from sales and prepayments	3002	580025	1562092
2. Interests from operating activities	3003	9472	8893
3. Other inflows provided by operating activities	3004	138618	58947
II. Cash outflows in operating activities (from 1 to 5)	3005	629585	1189669
1. Trade payables and prepayments	3006	272255	655295
2. Salaries, wages and other personal indemnities	3007	238604	382104
3. Interest paid	3008	7097	32
4. Tax on profit	3009	60921	33340
5. Outflows from other public revenues	3010	50708	118898
III. Net cash inflows from operating activities (I-II)	3011	98530	440263
IV. Net cash outflows from operating activities (II-I)	3012		
B. CASH FLOWS FROM INVESTING ACTIVITIES	3013	80000	102457
I. Cash inflows from investing activities (from 1 to 5)			
1. Sale of shares and stakes (net inflows)	3014		
2. Sale of intangible assets, immovables, plant, equipment and biological resources	3015		
3. Other financial investments (net inflows)	3016	80000	102457
4. Interests from investing activities	3017		
5. Inflows from dividends	3018		
II. Cash outflows from investing activities (from 1 to 3)	3019	846328	220441

Hotel Shareholding Company
BEOGRADSKO MEŠOVITO PREDUZEĆE A.D., BEOGRAD

ITEM	ADP	Amount	
		Current year	Previous year
		2	2
1. Purchase of shares and stakes (net outflows)	3020	666189	
2. Purchase of intangible assets, immovables, plants, equipment and biological resources	3021	50771	99912
3. Other financial investments (net payment)	3022	129368	120529
III. Net cash inflows from investing activities (I-II)	3023		
IV. Net cash outflows from investing activities (II-I)	3024	766328	117984
V. CASH FLOWS FROM FINANCING ACTIVITIES	3025	0	319793
I. Cash inflows from financing activities (1 to 5)			
1. Capital increase	3026		
2. Long-term loans (net inflows)	3027		254000
3. Short-term loans (net inflows)	3028		63500
4. Other long-term liabilities	3029		2293
5. Other short-term liabilities	3030		
II. Cash outflows from financing activities (from 1 to 6)	3031	47993	962
1. Repurchase of own shares	3032		
2. Long-term loans (outflow)	3033	47519	
3. Short-term loans (outflow)	3034		476
4. Other liabilities (outflow)	3035		
5. Financial leasing	3036	474	486
6. Dividends paid	3037		
III. Net cash inflows financing activities (I-II)	3038		318831
IV. Net cash outflows from financing activities (II-I)	3039	47993	
G. TOTAL CASH INFLOWS (3001 + 3013 + 3025)	3040	808115	2052182
D. TOTAL CASH OUTFLOWS (3005 + 3019 + 3031)	3041	1523906	1411072
Đ. NET CASH INFLOWS (3040 - 3041)	3042		641110
E. NET CASH OUTFLOWS (3041 - 3040)	3043	715791	
Ž. CASH AT THE BEGINNING OF THE ACCOUNTING PERIOD	3044	887620	247636
Z. POSITIVE EFFECTS ON EXCHANGE RATE CHANGES FROM CASH CALCULATION	3045	9597	1593
I. NEGATIVE EFFECTS ON EXCHANGE RATE CHANGES FROM CASH CALCULATION	3046	8819	2719
J. CASH AT THE END OF THE ACCOUNTING PERIOD (3042 - 3043 + 3044 + 3045 - 3046)	3047	172607	887620

In _____	Legal representative
on _____ 20____	S.P.

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

1. FOUNDATION AND ACTIVITY

The Hotel Shareholding Company "Beogradsko Mešovito Preduzeće" a.d., Beograd (the "Company") was founded pursuant to the Articles of Incorporation executed on April 14, 1989 by and between RO Jugopetrol Beograd, GRO Rad Beograd, SOUR Energoprojekt Beograd, RO Jugoeksport Beograd, RO Putnik Beograd, North Haven Limited, Hong Kong and Hyatt International Corporation, Chicago, Illinois, USA. The Company was registered and entered into the Court Registry with the District Commercial Court of Belgrade – registry card no. 1-3215-00. Under Decision no. BD 22440/2005 dated June 13, 2005, the Company was transferred from the Registry of the Commercial Court to the Business Entity Register maintained by the Serbian Business Registers Agency.

Hyatt International Corporation is entitled to management under the Articles of Incorporation dated April 14, 1989 and Management Agreement dated April 14, 1989, executed by and between the Company and Hyatt Hong Kong Limited, owned by Hyatt International Corporation, which are deposited with the Business Entity Register maintained by the Serbian Business Registers Agency.

The Company was incorporated for an indefinite period and organized as a private shareholding company. The Company's shares are registered with the Central Securities Depository and Clearing House, with restrictions imposed on trade. As of December 31, 2017, the Company's current shareholders were Luella Enterprises Company Limited, Cyprus (holding a 94.6% equity interest therein) and Energoprojekt Holding ad Beograd (holding a 5.4% equity interest). On March 14, 2018, the Company purchased its treasury shares previously owned by Energoprojekt Holding a.d., Beograd. The owner of the majority shareholder is Etarieia Ellinikon Xenodoheion Lampsa A.E. from Athens, Greece.

The Company's principal activity involves hospitality business, construction, development and management of the Hyatt Regency Hotel, Belgrade (the "Hotel"). The Company's business activities include other activities required or adequate for the realization of the core business activity. The Company's headquarters is located in Belgrade at no. 5, Milentija Popovica Street.

The Company's tax identification number (fiscal code) is 100000805, and its corporate ID number is 07456263. As of December 31, 2020 the Company had 168 employees (December 31, 2019: 206 employees)).

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

2.1. Basis of Preparation and Presentation of the Financial Statements

Legal entities and entrepreneurs incorporated in the Republic of Serbia are required to maintain their books of account, to recognize and measure assets and liabilities, income and expenses, and to prepare, present, submit and disclose financial statements in conformity with the Law on Accounting (hereinafter: the "Law", Official Gazette of the Republic of Serbia no. 73/2019), and other effective bylaws and regulations. As a medium-sized entity, the Company has elected to apply International Financial Reporting Standards ("IFRS"), which, as per the aforementioned Law, comprise the following: the Framework for the Preparation and Presentation of Financial Statements (the "Framework"), International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS"), as well as the related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and subsequent amendments to those standards and related interpretations approved by the International Accounting Standards Board ("IASB"), the translations of which to the Serbian language were approved and issued by the competent Ministry of Finance.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

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

2.1. Basis of Preparation and Presentation of the Financial Statements (Continued)

The Ministry enacted Decision dated March 13, 2014, published in the Official Gazette of the Republic of Serbia no. 35 on March 27, 2014 ("Decision on Adoption of the Translations") to adopt and publish the translation of the basic texts of the IFRS and IAS, the Conceptual Framework for Financial Reporting (the "Conceptual Framework") issued by IASB, and the related interpretations issued by IFRIC. The aforesaid translations, adopted by the Decision on Adoption of the Translations, do not include the bases for closure, illustrating examples, guidelines and comments, contrary opinions, elaborated examples or other additional explanatory materials that can be adopted as associated with the standards and interpretations unless it is expressly stated that such materials form an integral part of the standards and interpretations. Based on this Decision on Adoption of the Translations, the Conceptual Framework, IAS, IFRS, IFRIC and related interpretations that have been translated, have all been applied to the financial statements prepared as of December 31, 2014.

On November 21, 2019, the Ministry of Finance of the Republic of Serbia enacted a decision published in the Official Gazette of RS no. 92/2019 dated December 25, 2019 to adopt and publish the translation of the basic texts of the IFRS and IAS, the Conceptual Framework issued by IASB, and the related interpretations issued by IFRIC. Based on this Decision on Adoption of the Translations, the Conceptual Framework, IAS, IFRS, IFRIC and related interpretations that have been translated are to be applied to the financial statements prepared as of December 31, 2020, although entities may adopt the translated standards in preparation of the financial statements prepared as of December 31, 2019 as well.

On September 10, 2020, the Ministry of Finance of the Republic of Serbia enacted a decision published in the Official Gazette of RS no. 123/2020 dated October 13, 2020 and no. 125/2020 dated October 22, 2020 to adopt and publish the translation of the basic texts of the IFRS and IAS, the Conceptual Framework issued by IASB, and the related interpretations issued by IFRIC. Based on this Decision on Adoption of the Translations, the Conceptual Framework, IAS, IFRS, IFRIC and related interpretations that have been translated are to be applied to the financial statements prepared as of December 31, 2021, although entities may adopt the translated standards in preparation of the financial statements prepared as of December 31, 2020 as well.

In addition to the foregoing, some legislative and other regulations applicable in the Republic of Serbia define certain accounting procedures resulting in further departures from IFRS, as follows:

- The Company has prepared these financial statements in line with the requirements of the Rules on the Chart of Accounts and Contents of Accounts within the Chart of Accounts for Companies, Cooperatives and Entrepreneurs (Official Gazette of RS no. 95/2014) and in the format prescribed by the Rules on the Content and Form of the Financial Statements for Companies, Cooperatives and Entrepreneurs (Official Gazette of RS nos. 95/2014 and 144/2014), which departs from the format defined by IAS 1 (revised) – "Presentation of the Financial Statements" and IAS 7 – "Statement of Cash Flows".
- Decision of the Republic of Serbia Ministry of Finance no. 401-00-896/2014-16 dated March 13, 2014 (Official Gazette of the Republic of Serbia no. 35/2014) stipulates that official standards comprise the official translations of the International Accounting Standards ("IAS") and International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as well as interpretations of the standards issued by the International Financial Reporting Interpretations Committee ("IFRIC") until July 31, 2013. After July 31, 2013 IASB and IFRIC issued a significant number of amendments, annual improvements and supplements to the existing or revised standards and interpretations and pronounced new IFRS and replaced some of the existing IAS, which have not been translated and officially adopted in the Republic of Serbia.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

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

2.1. Basis of Preparation and Presentation of the Financial Statements (Continued)

- Certain bylaws effective in the current period require recognition, measurement and classification of assets, liabilities and equity, as well as revenues and expenses, that depart from the requirements of the translated and adopted IFRS and IAS.

In accordance with the foregoing, and given the potentially material effects, which the departures of accounting regulations of the Republic of Serbia from IFRS and IAS may have on the fairness of presentations made in the Company's financial statements, the accompanying financial statements cannot be treated as a set of financial statements prepared in accordance with IFRS and IAS.

In the preparation of the accompanying financial statements, the Company did not apply IFRS and IAS the provisions of which permit early adoption or those standards the translation of which has not been adopted and published by the Ministry of Finance.

These financial statements were prepared at historical cost principle unless otherwise stipulated in the accounting policies presented hereunder.

In the preparation of the accompanying financial statements, the Company adhered to the accounting policies described in Note 3.

In accordance with the Law on Accounting, the Company's financial statements are stated in thousands of dinars (RSD), dinar being the official reporting currency in the Republic of Serbia.

These financial statements were approved by the Company's management on June 16, 2021.

These financial statements are prepared for the purpose of compliance with legal requirements. The Company is legally required to obtain an independent audit of these financial statements. The audit scope comprehends the statutory financial statements taken as a whole and does not provide assurance on any individual line item, account or transaction. The audited financial statements are not intended for use by any party for purposes of decision making concerning any ownership, financing or any other specific transactions relating to the Company. Accordingly, users of the audited statutory financial statements should not rely exclusively on the financial statements and should undertake other procedures before making decisions.

2.2. Impact and Application of New and Revised IAS/IFRS

In the preparation of the accompanying financial statements for the FY 2020, the Company for the first time applied IFRS 9 „Financial Instruments“ and IFRS 15 „Revenue from Contracts with Customers“.

Analysis of IFRS 9 Impact

IFRS 9 „Financial Instruments“ replace IAS 39 „Financial Instruments: Recognition and Measurement“. IFRS 9 includes revised requirements related to the classification and measurement of financial instruments, as well as, new impairment requirements relating to the accounting for an entity's expected credit losses and new hedge accounting requirements.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

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

2.2. Impact and Application of New and Revised IAS/IFRS (Continued)

Analysis of IFRS 9 Impact (Continued)

Classification and measurement: IFRS 9 includes three basic categories for the measurement of financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. Financial assets are classified based on the entity's business model for managing the asset and the asset's contractual cash flow characteristics. An entity's business model is determined based on the Company's management assessment how groups of financial assets are managed together to achieve a particular business objective, based on all relevant facts for business model assessment.

Application of IFRS 9 beginning January 1, 2020 has no significant effect on the Company's financial statements and classification and measurement of financial assets and liabilities, nor has any effect on retained earnings as of January 1, 2020 as a result of implementation of a new model of impairment of financial assets.

Analysis of IFRS 15 Impact

IFRS 15 „Revenue from Contracts with Customers“ replace the current requirements related to the revenue recognition including IAS 18 „Revenues“ and IAS 11 „Accounting for Construction Contracts“ and related standards interpretations. IFRS 15 provides a comprehensive model of revenue recognition based on five steps principle applied on all contracts with customers.

To recognise revenue under IFRS 15, an entity applies the following steps:

- Identify the contract(s) with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to each performance obligation;
- Recognise revenue.

Application of IFRS 15 beginning January 1, 2020 has no effect on the Company's financial statements, nor has any effect on retained earnings as of January 1, 2020 as a result of implementation of a new model of revenue recognition.

2.3. Comparative Information

Comparative information in these financial statements comprises the Company's financial statements as of and for the year ended December 31, 2019. Based on the first-time application of IFRS 9 and IFRS 15 there was no adjustment on retained earnings as of January 1, 2020. Comparative information for the FY 2019 was not adjusted and was presented in accordance with the previously adopted accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

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

2.4. Going Concern and impact of COVID-19

During this business year, Covid-19 in Serbia resulted in a significant problems in operations. Although the COVID-19 epidemic caused significant decrease in demand for the accommodation services, food and beverage services, the Company has applied measures to provide continuity in operations, on satisfactory level. In 2020 the Company has in possession sufficient liquid assets to discharge its liabilities and there was no need to use additional loans. The Company has no difficulties in collection of receivables, as it's known customers to whom a deferred payments was approved based on credit analysis. The Company fulfilled all its obligations on a timely basis. Therefore, the accompanying financial statements have been prepared on a going concern basis, assuming that the Company will continue to operate for an indefinite period in the foreseeable future.

The Company used the following types of the Government's grants during 2020:

1. Net minimum salary per employee for April, May and June 2020;
2. Delayed payment deadlines for salary taxes and contributions for April, May and June 2020;
3. Delayed payment deadlines for corporate income tax installments for April, May and June 2020;
4. 60% of net minimum salary per employee for August and September 2020;
5. Delayed payment deadlines for salary taxes and contributions for August 2020;
6. Financial support to the hotel industry in the amount of EUR 350 per bad and EUR 150 per room;
7. Net minimum salary per employee for December 2020.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Income

Sales of Products and Services

Income from the sales of products and goods are recognized when the substantial risk and rewards associated with the right of ownership are transferred to the customer. Revenues from sales of products and goods are stated at the amounts billed net of approved discounts and value added tax.

Income from service rendering is recognized in the period in which a relevant service was rendered and stated at the amount invoiced net of approved discounts and value added tax.

Finance Income

Finance income includes interest income, foreign exchange gains and other finance income earned in transactions with the other related parties.

Interest income is recognized on an accrual basis in the income statement of the period it relates to.

Other Income

Other income includes gains on the sales of equipment, surpluses and other revenues.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Expenses

Expenses are recognized in the income statement as per "matching principle," i.e., on an accrual basis and are determined for the period when incurred.

Operating Expenses

Operating expenses include costs incurred in generating sales revenues and comprise cost of commercial goods sold, cost of materials, spare parts, fuel and energy, costs of gross wages and salaries, depreciation and amortization charge and services rendered by third parties. Operating expenses include general expenditures such as rental costs, costs of marketing and advertising, insurance, bank charges, taxes payable and other costs incurred in the current accounting period.

Finance Expenses

Finance expenses encompass interest expenses, foreign exchange losses and other finance expenses. Interest expenses comprise interest accrued on borrowings, which is recorded within the income statement of the period it relates to as per the "matching principle."

Other Expenses

Other expenses include, among others, losses on the sales or disposal of property, plant, equipment and intangible assets, and miscellaneous other expenses in accordance with the Company's accounting policies.

3.3. Foreign Exchange Translation

Transactions denominated in foreign currencies are translated into dinars at the official middle exchange rates as determined in the interbank foreign exchange market and effective at the date of each transaction.

Monetary assets, receivables and liabilities denominated in foreign currencies are translated into dinars by applying the official exchange rates as determined in the interbank foreign exchange market and prevailing at the balance sheet date.

Foreign exchange positive or negative effects arising upon the translation of transactions performed during the year, and assets and liabilities in foreign currencies as of the balance sheet date, are credited or charged to the income statement as foreign exchange gains or losses, within the item of finance income/expenses.

3.4. Employee Benefits

Short-Term Employee Benefits - Taxes and Contributions Made to the Employee Social Security Funds

In accordance with regulatory requirements effective in the Republic of Serbia, the Company is obligated to pay contributions to tax authorities and to various state social security funds, which guarantee social security insurance benefits to employees. These obligations involve the payment of taxes and contributions on behalf of the employee, by the employer, in an amount computed by applying the specific, legally prescribed rates. The Company is also legally obligated to withhold contributions from gross salaries to employees, and on behalf of its employees, to transfer the withheld portions directly to government funds. These taxes and contributions payable on behalf of the employee and employer are charged to expenses in the period in which they arise.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4. Employee Benefits (Continued)

Long-Term Employee Benefits - Obligations for Retirement Benefits

Pursuant to the Collective Bargaining Agreement, the Company is obligated to pay retirement benefits in an amount equal to two gross average salaries of the vesting employee earned in the month preceding the month of retirement benefit payment, which cannot be lower than two average gross salaries paid in the Republic of Serbia in the month preceding the month of retirement benefit payment.

The Company had an independent actuary perform calculation of the present value of its liabilities for the employee retirement benefits as of December 31, 2020 and accrued and recorded the said liabilities as of the reporting date (Note 29).

Short-Term Compensated Absences

Accumulating compensated absences (annual vacation leaves) can be carried forward and used in future periods if the current period's entitlement is not used in full. Expenses for compensated absences are recognized at the amount the Company expects to pay as a result of the unused entitlement that has accumulated at the balance sheet date. In the case of non-accumulating compensated absences, an obligation or expense is recognized when the absences occur.

3.5. Income Taxes

Current Income Tax

Current income tax is payable at the legally prescribed rate of 15% (2019: 15%) on the taxable income determined within the tax statement and reported in the annual corporate income tax return, which includes the profit before taxation shown in the statutory statement of income, as adjusted for differences that are specifically defined under statutory tax rules of the Republic of Serbia, less any prescribed tax credits.

The Corporate Income Tax Law of the Republic of Serbia does not envisage that any tax losses of the current period be used to recover taxes paid within a specific carryback period. However, current period tax losses may be used to reduce or eliminate taxes to be paid in future periods for duration of no longer than five ensuing years. Tax losses incurred before January 1, 2010 are available for carryforward for duration of ten ensuing years.

Deferred Income Taxes

Deferred income taxes are provided using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and tax credits and losses available for carryforward, to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the tax loss/credits of the carryforwards can be utilized. Deferred tax assets and liabilities are determined at the tax rate expected to be applied in the period of the relevant asset realization/liability settlement. As of December 31, 2020, deferred tax assets and liabilities were provided at the rate of 15% (December 31, 2019: 15%).

Deferred income taxes are either charged or credited to the income statement, except in so far as they relate to items that are directly credited or charged to equity, in which case the deferred taxes are also recognized under equity.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Intangible Assets

Intangible assets can be identified as non-monetary assets without physical features.

Intangible assets are initially recognized at cost or purchase price. Subsequently, intangible assets are carried at cost decreased by any allowance for accumulated amortization and impairment losses.

Subsequent expenditure is recognized as an increase in cost of the respective assets, when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Company. All other costs are recognized as expenses as incurred.

Acquired software licenses are capitalized in the amount of expenses incurred in acquisition and placement into use and are amortized over a period from 4 to 10 years.

Amortization method, useful lives and residual value of assets are estimated and reviewed at the end of each reporting period and adjusted if necessary.

3.7. Property and Equipment

Items of property and equipment are initially recognized at cost or purchase price. Cost includes any costs directly attributable to the acquired assets.

Items of property and equipment are subsequently carried at cost less allowance for accumulated depreciation and impairment losses, if any.

Expenditure such as modification or adaptation to assets is recognized as an asset, when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Company and if reliably measured. Additions to the items of property and equipment during the year are stated at cost, which comprises the amount billed by suppliers increased by direct acquisition-related costs and any costs directly attributable to bringing the assets to working condition for their intended use.

Gains on the sales of property and equipment are recognized as other income. Losses on the sales or disposal of property and equipment are included within other expenses.

The depreciation of property and equipment is computed on a straight-line basis by applying depreciation rates determined in such a manner that cost of property and equipment items is depreciated in equal annual amounts in order to fully write off the cost of the assets over their estimated useful lives. The base for calculating depreciation charge comprises an asset's cost less its residual value. If the residual value is not material, it is not taken into account in depreciation charge calculation, i.e., it does not decrease the cost as the base for depreciation calculation. Depreciation of assets activated during the year is computed when the assets are put in use.

Depreciation rates and useful lives of assets applied in the current accounting period are summarized below:

Asset	Rate %	Useful life (years)
Buildings	3	33
Computer equipment	24	4.2
Motor vehicles	15	6.6
Furniture and other equipment	15-24	4.2-6.6

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7. Property and Equipment (Continued)

Calculation of depreciation for tax purposes is performed in accordance with the Corporate Income Tax Law of the Republic of Serbia (Official Gazette of RS no. 25/2001, 80/2002, 43/2003, 84/2004, 18/2010, 101/2011, 119/2012, 47/2013, 108/2013, 68/2014, 142/2014, 91/2015, 112/2015, 113/2017, 95/2018, 86/2019 и 153/2020), Rulebook on the manner of classification of assets by groups and the manner of determining of depreciation for tax purposes (Official Gazette of RS no. 116/2004, 99/2010, 104/2018 и 8/2019) and Rulebook on depreciation of property, plant and equipment recognized for tax purposes (Official Gazette of RS no. 93/2019), resulted in effects on current income tax expense, as well on deferred taxes (Note 18(c)).

3.8. Impairment of Assets

At each balance sheet date, the Company's management reviews the carrying amounts of the Company's tangibles in order to determine the indications of impairment loss. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. In cases where it is impossible to assess the recoverable amount of an individual asset, the Company assesses the recoverable value of the cash generating unit to which the asset belongs.

The recoverable amount of an asset is the higher of its costs to sell and its value in use. For the purpose of assessing value in use, estimated future cash flows are discounted to the present value by applying the pre-tax discount rate reflecting the present market estimate of time value of cash and risks specifically related to the asset in question.

If the estimated recoverable amount of assets (or cash generating unit) is below their carrying value, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense of the current period under operating expenses.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable value. However, this is performed so that the increased carrying amount does not exceed the carrying value that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. As of December 31, 2020, in the assessment of the management, there were no test of impairment of the Company's property, plant and equipment, except impairment of equity investment in subsidiary (note 21).

3.9. Inventories

Inventories are primarily stated at the lower of cost and net realizable value. The net realizable value is the price at which inventories may be realized throughout the normal course of business, after allowing for the costs of realization.

The cost of raw materials is comprised of the amount billed by suppliers and is determined using the weighted-average method.

Inventories found to be damaged or of a substandard quality are written off in full. Impairment of inventories is performed for materials and raw materials.

NOTES TO THE FINANCIAL STATEMENTS

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All amounts expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10. Leases

The Company has entered into leasing contracts as a lessee. Leases are classified as finance leases whenever the terms of the lease transfer substantially all risks and rewards of ownership over the assets leased to the Company. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as the assets of the Company at the lower of their fair value and the present value of the minimum lease payments, which is determined at the inception of each particular lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease liability at the present value of the minimum lease payments.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss.

3.11. Equity Investments

Equity investments in subsidiaries are recognized at cost less impairment due to accumulated losses, if any. Cost method means that equity investment is recognized at costs directly associated with the acquisition of an investment and paid to third party. Subsequently, equity investments are recognized at cost, except in a case of impairment of that investment, when its recoverable value should be assessed and an impairment should be recognized.

3.12. Financial Instruments

Financial Assets

The Company classifies its financial instruments at the time of initial recognition. The classification depends on the nature and purpose of the financial assets, that is the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

In accordance with the IFRS 9 "Financial Instruments", adopted by the Company on January 1, 2020 financial assets are classified at the following categories:

- Financial assets measured at amortised cost;
- Financial assets measured at fair value through other comprehensive income (equity-FVTOCI) and
- Financial assets measured at fair value through profit or loss (FVTPL).

Financial assets shall be measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, except if entity, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss (if doing so eliminates or significantly reduces a measurement or recognition inconsistency).

Financial assets shall be measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and if the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, except if entity, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss (if doing so eliminates or significantly reduces a measurement or recognition inconsistency).

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12. Financial Instruments (Continued)

Financial Assets (Continued)

Financial assets shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.

An entity's business model is determined based on the Company's management assesment how groups of financial assets are managed together to achieve a particular business objective, based on all relevant facts for business model assesment. An entity's business model could be determined as groups of financial assets that are managed together to collect contractual cash flows and comprise of financial placements and receivables (trade receivables and other).

Financial assets and liabilities of the Company comprise of trade receivables, other short-term receivables, trade payables and other operating liabilities measured at amortised cost and satisfied a new criterion prescribed by IFRS 9 (business model test and characteristics of contractual cash flows) for measurement at amortised cost.

The Company does not have financial assets and liabilities measured at fair value through profit or loss, nor financial assets measured at fair value through other comprehensive income.

Financial assets include current assets, unless their maturities are longer than 12 months from the balance sheet date, in which case they are classified as non-current assets.

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, or the Company neither transfer nor retains all the risks and rewards but transfer the control over asset.

Write-off of receivables constitutes a derecognition of financial asset. Also, a renegotiation or other modification of the contractual cash flows of a financial asset results in derecognition of financial asset.

After initial recognition, financial assets are measured as follows:

(a) Accounts Receivable and Other Receivables

The Company perform its operations under common contractual terms and such receivables are non-interest bearing receivables. Trade receivables and other receivables are measured at amortised cost.

In accordance with IFRS 9 "Financial Instruments" an entity shall recognize an impairment or loss allowance on all financial instruments that is measured at amortised cost or fair value through other comprehensive income. The Company applies a model of "expected credit losses" in calculation of impairment of trade receivables and other receivables.

The Company applies a "simplified approach" for trade receivables (long-term and short-term) and other receivables in measurement the loss allowance at an amount equal of lifetime expected credit losses that do not contain a significant financing component, using so called provision matrix based on groupings of trade receivables by its characteristics and trends in historical loss allowance.

Expected credit losses are based on a historical loss allowance of the Company, adjusted by the current and future information on macroeconomic factors affecting operations of the Company's customers.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12. Financial Instruments (Continued)

Financial Assets (Continued)

(b) Accounts Receivable and Other Receivables (Continued)

Trade receivables are stated at their nominal value, net of allowance for impairment for expected credit losses. Impairment allowances are recorded under losses on the value adjustment of other assets at fair value through profit and loss within the income statement.

Income from reversal of provisions is recorded under gains on the value adjustment of other assets at fair value through profit and loss within the income statement.

Up to December 31, 2019 the Company determined allowance for impairment of receivables in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". Impairment for bad and doubtful receivables is calculated based on estimated losses resulting from the inability of customers to settle the liabilities to the Company when due. The management estimates are based on the aging of trade receivables balance and historical write-off experience, customer credit-worthiness and changes in customer payment terms when evaluating the adequacy of the impairment allowance of doubtful receivables. This involves assumptions about future customer behavior and the resulting future collections in cash.

(c) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and balances on accounts held with commercial banks and other highly liquid financial assets with maturities of up to three months and that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial Liabilities

IFRS 9 "Financial Instruments", mainly, keep the current requests of IAS 39 relating to classification of financial liabilities, as financial liabilities measured at amortised cost and financial liabilities measured at fair value through profit or loss.

The management of the Company perform classification of financial liabilities at their initial recognition.

Financial liabilities comprise of finance lease liabilities, trade payables and other operating liabilities.

Financial liabilities are initially recognized at cost being the fair value of consideration received. After initial recognition financial liabilities are stated at amortized cost by applying the effective interest rate.

Financial liabilities cease to be recognized when the Company fulfills the respective obligations, or when the contractual repayment obligation has either been cancelled or has expired.

In a case of change a current financial liability by another liability toward the same creditor, but under significant changes in contractual terms or contractual terms relating to the current financial liability has significantly changed, such change should be treated as cease of previous financial liability and recognition of new liability, while the difference between initial and new liability should be recorded within income statement.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12. Financial Instruments (Continued)

Financial Liabilities (Continued)

Besides that, under IFRS 9, financial liabilities cease to be recognized when the contractual terms with its cash flows are modified. In that case, a new financial liability is based on a changed conditions and should be measured at fair value. Difference between the carrying value of a previous financial liability and fair value of a new financial liability should be recognized through income statement.

Trade Payables and Other Operating Liabilities

Trade payables and other operating liabilities are subsequently measured at amortised cost, which is equal to their nominal value, as these are short-term liabilities.

3.13. Provisions

A provision should be recognized when the Company has a present obligation (legal or constructive) as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

3.14. Earnings per Share and Segment Reporting

Since it is a closed shareholding company whose shares are not quoted in a stock exchange market, the Company has elected not to present disclosures in accordance with IFRS 8 "Operating Segments" and IAS 33 "Earnings per Share."

4. SUMMARY OF KEY ACCOUNTING ESTIMATES

Presentation of the financial statements requires the Company's management to make best estimates and reasonable assumptions that influence the assets and liabilities amounts, as well as the disclosure of contingent liabilities and receivables as of the financial statements preparation date, and income and expenses arising during the accounting period. These estimations and assumptions are based on information available as of the date of preparation of the financial statements. Actual results may vary from these estimates.

What follows are the key assumptions in respect of the future events and other sources of estimation uncertainty as of the balance sheet date which represent risk from material adjustments to the amounts of balance sheet items in the following fiscal year.

4.1. Depreciation and Amortization Charge and Rates Applied

The calculation of depreciation charge and depreciation rates are based on the estimated economic useful lives of property, plant and equipment. Once a year, in accordance with the requirements of IAS 16 "Property, Plant and Equipment," the Company assesses the remaining useful lives and residual values of the assets based on the current estimates.

The useful lives of property, plant, equipment and intangible assets are based on the historical experience with similar assets and anticipated technological advancement and changes in economic and industrial factors. The adequacy of the remaining useful lives is analyzed on an annual basis, or whenever there are indications of significant changes in the underlying assumptions.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

4. SUMMARY OF KEY ACCOUNTING ESTIMATES (Continued)

4.1. Depreciation and Amortization Charge and Rates Applied (Continued)

The Company assessed that the residual value and useful economic life of its property amounted to EUR 4,800,000 and 33.33 years, respectively as of January 1, 2018. In addition, the Company's management reassessed the residual value of its property as of December 31, 2020 and found it unaltered.

Due to the significance of the non-current assets within the Company's total assets, the impact of any change in the aforesaid assumptions may be material to the Company's financial position as well as its financial performance. For instance, if the Company were to reduce the average useful life of non-current assets by 10%, this would have led to additional depreciation charge in FY 2020 of RSD 17,792 thousand (2019: RSD 17,144 thousand). If the Company were to reduce the residual value of its non-current assets by 10%, this would have resulted in additional depreciation charge in FY 2020 of RSD 1,693 thousand (2019: RSD 1,693 thousand).

4.2. Impairment Allowance of Receivables

Beginning from January 1, 2020 the Company calculate expected credit losses based on historical data and estimated losses resulting from the inability of customers to settle the liabilities to the Company when due.

Impairment allowance for bad and doubtful receivables is performed in accordance with the accounting policy explained under note 3.12 to the financial statements. In accordance with IFRS 9 it is not necessary that there is objective evidence for the credit loss to be recognized. Expected credit losses could be recognized, too, for not-impaired financial assets.

Expected credit losses are based on a historical loss allowance of the Company, adjusted by the current and future information on macroeconomic factors affecting operations of the Company's customers. The Company should consider reasonable information about future customer behavior and the resultant future collections. Realized collected receivables could be different than the assessed amount of collection, which can affect positive or negative the operating results.

4.3. Provisions for Litigations

Generally, provisions are highly judgmental. The Company estimates the likelihood of unfavorable events taking place as a result of past events and assesses the amount necessary to settle such liability. Although the Company acts prudently in making such estimates, given the great extent of uncertainty, in certain cases actual results may depart from these estimations. According to the management's estimates, which are to a large extent based on the estimates of the lawyers, appraisers and court valuers as well as on other publicly available information, no additional provisions in this respect are necessary on top of the provisions for costs of the proceedings already disclosed in these financial statements (Note 29).

4.4. Fair Value

The fair value of financial instruments for which an active market does not exist is determined by applying adequate valuation methods. The Company applies its professional judgment in the selection of adequate methods and assumptions.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

4. SUMMARY OF KEY ACCOUNTING ESTIMATES (Continued)

4.4. Fair Value (Continued)

It is a policy of the Company to disclose the fair value information of those components of assets and liabilities for which published or quoted market prices are readily available, and of those for which the fair value may be materially different from their carrying amounts. In the Republic of Serbia, sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are presently not readily available. As a result, fair value cannot readily or reliably be determined in the absence of an active market. The Company's management assesses its overall risk exposure, and in instances in which it estimates that the value of assets stated in its books may not be realized, it recognizes a provision. In the opinion of management, the reported carrying amounts are the most valid and useful reporting values under the present market conditions.

5. SALES REVENUES

	Year Ended December 31,	
	2020	2019
<i>Sales of goods</i>		
Sales of goods in domestic market:		
- sales of beverages	29,135	78,299
- sales of cigarettes	4,538	5,734
	33,673	84,033
<i>Sales of products and services</i>		
- to related party, domestic (Note 37)	999	2,733
- in domestic market	438,168	1,271,711
	439,167	1,274,444

Sales of products and services:

	Year Ended December 31,	
	2020	2019
Sales of:		
- rooms	275,665	861,205
- food	104,768	306,434
- telephone and fax	74	682
- fitness club	31,515	47,636
- Internet	323	773
Parking and transport services	12,122	31,378
Laundry revenues	8,868	15,804
Dry cleaning and ironing services	822	2,401
Other income	5,010	8,131
	439,167	1,274,444

NOTES TO THE FINANCIAL STATEMENTS

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6. OTHER OPERATING INCOME

	Year Ended December 31,	
	2020	2019
Rental income from:		
- presentation hall	5,757	21,424
- business premises	7,529	6,259
- equipment	1,332	7,923
- stores	4,898	3,871
- other	7,290	7,845
Other operating income	390	1,119
	27,196	48,440

7. COST OF MATERIALS

	Year Ended December 31,	
	2020	2019
Cost of food	41,411	99,547
Small tools and fixtures	9,581	12,399
Cost of materials	15,345	33,936
Cost of materials used in regular maintenance	5,802	6,298
Water charge	3,808	6,301
	75,947	158,481

8. COST OF FUEL AND ENERGY

	Year Ended December 31,	
	2020	2019
Cost of fuel	906	94
Gas bills	17,912	24,780
Electricity bills	31,957	46,001
	50,775	70,875

9. STAFF COSTS

	Year Ended December 31,	
	2020	2019
Gross salaries and benefits	195,636	252,017
Payroll taxes and contributions charged to the employer	30,368	39,894
Considerations paid per service contracts and author fees	4,084	9,150
Considerations paid to seasonal and temporary employees	20,187	50,632
Remunerations to the members of the Company's governing and supervision bodies	2,551	11,471
Other staff costs	10,047	18,940
	262,873	382,104

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

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10. COST OF PRODUCTION SERVICES

	Year Ended December 31,	
	2020	2019
Transportation services	3,272	10,763
Telecommunications and postage	1,967	2,259
Maintenance services	12,327	16,975
Software maintenance	18,526	22,522
Marketing and advertising	16,148	28,871
Public utility services	7,337	8,383
Other production services	7,115	14,057
	66,692	103,830

11. DEPRECIATION AND AMORTIZATION CHARGE

	Year Ended December 31,	
	2020	2019
Depreciation and amortization charge:		
- intangible assets (Note 19)	3,923	4,930
- property, plant and equipment (Note 20)	156,211	149,367
	160,134	154,297

12. LONG-TERM PROVISIONS

	Year Ended December 31,	
	2020	2019
Provisioning charge for:		
- Retirement and other employee benefits (Note 29)	-	3,655
- Litigations (Note 29)	-	31,913
	-	35,568

13. NON-MATERIAL COSTS

	Year Ended December 31,	
	2020	2019
Security services	172	9,276
Tourist agency fees	10,028	26,661
Consultant services	5,749	11,123
Lawyer fees	438	1,904
Entertainment	2,117	4,196
Insurance premiums	6,212	6,979
Commissions:		
- gold passport	6,774	14,221
- bank commissions	1,035	3,023
- payment/credit cards	5,986	17,360
- other	132	217
Basic fees as per Management Agreement (Note 37)	14,961	41,958
Incentive fees as per the Management Agreement (Note 37)	239	53,109
Other non-material expenses	15,108	16,370
Booking center costs	5,003	15,121
	73,954	221,518

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

13. NON-MATERIAL COSTS (Continued)

Fees payable per Management Agreement relate to the costs due to Hyatt International EAME. A portion of the cost of consultant services, in the amount of RSD 2,939 thousand, relate to the consultant services provided to the Company by Excelsior a.d., Beograd (Note 37).

14. FINANCE INCOME

	Year Ended December 31,	
	2020	2019
Finance income from other related parties:		
- Interest income (Note 37)	8,677	7,649
- Foreign exchange gains (Note 37)	18	19
Interest income (from third parties)	795	8,893
Foreign exchange gains and positive currency clause effects (from third parties)	9,580	16
	19,070	16,577

15. FINANCE EXPENSES

	Year Ended December 31,	
	2020	2019
Finance expenses from related parties:		
- foreign exchange losses (Note 37)	36	1,055
	36	1,055
Interest expenses (to third parties)	7,096	32
Foreign exchange losses and negative currency clause effects (to third parties)	8,782	1,699
	15,914	2,786

16. OTHER INCOME

	Year Ended December 31,	
	2020	2019
Surpluses	8	9
Gains on the sale of equipment	597	263
Income from reversal of provision for retirement benefits (Note 29)	845	-
Other income	192	1,743
	1,642	2,015

17. OTHER EXPENSES

	Year Ended December 31,	
	2020	2019
Losses on retirement and disposal of equipment	-	520
Write-off of receivables	-	42
Other expenses	3,178	4,027
	3,178	4,589

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

18. INCOME TAXES

a) Components of Income Taxes

	Year Ended December 31, 2020	2019
Current income tax expenses	-	(52,002)
Deferred income tax benefits	6,883	10,714
	6,883	(41,288)

b) Numerical Reconciliation between Tax Expense and the Product of the Accounting Results Multiplied by the Statutory Tax Rate

	2020	2019
(Loss)/Profit before taxes	(353,796)	273,163
Income tax at the statutory tax rate of 15%	(53,069)	40,974
Tax effects of expenses not recognized for tax purposes	13	5,039
Temporary differences arising on the values of the property, plant and equipment	6,833	5,989
Adjustment	53,106	-
Current income tax expense	-	52,002
Deferred income tax benefits	(6,883)	(10,714)
	(6,883)	41,288
Effective tax rate	-	15%

c) Deferred Tax Assets/Liabilities

Deferred tax liabilities of RSD 77,330 thousand, net as of December 31, 2020 (December 31, 2019: RSD 84,213 thousand) relate to taxable temporary differences resulting from application of different amounts of property, equipment and intangible assets used for tax purposes and their reported amounts within the Company's balance sheet, as well as provisions for litigations.

Movements on deferred tax assets and liabilities are presented in the table below:

	2020	2019
Deferred tax liabilities		
Balance at January 1	(104,947)	(110,874)
<i>Recognized within the income statement (profit or loss)</i>		
- temporary differences between depreciation/amortization for accounting and tax purposes	6,883	5,989
- other	-	(62)
Balance at December 31	(98,064)	(104,947)
Deferred tax assets		
Balance at January 1	20,734	15,947
<i>Recognized within the income statement (profit or loss)</i>		
- expired tax credit carryforward (per capital expenditures)	-	-
- provisions for litigations	-	4,787
Balance at December 31	20,734	20,734
Deferred tax liabilities, net	(77,330)	(84,213)

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

18. INCOME TAXES (Continued)

d) Income Tax Liability and Receivables for Prepaid Income Tax

In 2020 the Company reported loss in the Income Statement and therefore no current income tax liability (2019: RSD 13,100 thousand , Note 35). As of December 31, 2020, the Company reported receivables for prepaid income taxes in the amount of RSD 47,820 thousand (Note 24).

19. INTANGIBLE ASSETS

	Concessions, Patents, Licenses and Other Rights	Other Intangible Assets	Total
Cost			
Balance at January 1, 2020	34,306	33,063	67,369
Additions	493	3,990	4,483
Balance at December 31, 2020	<u>34,799</u>	<u>37,053</u>	<u>71,852</u>
Balance at January 1, 2019	32,692	33,804	66,496
Additions	1,614	304	1,918
Disposals	-	(1,045)	(1,045)
Balance at December 31, 2019	<u>34,306</u>	<u>33,063</u>	<u>67,369</u>
Accumulated Amortization			
Balance at January 1, 2020	30,309	25,903	56,212
Charge for the year (Note 11)	1,932	1,991	3,923
Balance at December 31, 2020	<u>32,241</u>	<u>27,894</u>	<u>60,135</u>
Balance at January 1, 2019	27,436	24,891	52,327
Charge for the year (Note 11)	2,873	2,057	4,930
Disposals	-	(1,045)	(1,045)
Balance at December 31, 2019	<u>30,309</u>	<u>25,903</u>	<u>56,212</u>
Net Book Value :			
- at December 31, 2020	<u>2,558</u>	<u>9,159</u>	<u>11,717</u>
- at December 31, 2019	<u>3,997</u>	<u>7,160</u>	<u>11,157</u>

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December 31, 2020

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20. PROPERTY AND EQUIPMENT

	Land	Buildings	Equipment	Investments in Progress, Advances Paid	Total
Cost					
Balance at January 1, 2020	584,640	3,472,305	882,795	9,485	4,949,225
Additions	-	-	37,548	588	38,136
Transfers	-	-	8,741	(8,741)	-
Balance at December 31, 2020	<u>584,640</u>	<u>3,472,305</u>	<u>929,084</u>	<u>1,332</u>	<u>4,987,361</u>
Balance at January 1, 2019	584,640	3,446,542	817,130	11,302	4,859,614
Additions	-	25,763	60,930	9,485	96,178
Transfers	-	-	11,302	(11,302)	-
Disposals	-	-	(6,567)	-	(6,567)
Balance at December 31, 2019	<u>584,640</u>	<u>3,472,305</u>	<u>882,795</u>	<u>9,485</u>	<u>4,949,225</u>
Accumulated Depreciation					
Balance at January 1, 2020	-	2,080,557	645,241	-	2,725,798
Charge for the year (Note 11)	-	86,389	69,822	-	156,211
Balance at December 31, 2020	<u>-</u>	<u>2,166,946</u>	<u>715,063</u>	<u>-</u>	<u>2,882,009</u>
Balance at January 1, 2019	-	1,994,168	588,310	-	2,582,478
Charge for the year (Note 11)	-	86,389	62,978	-	149,367
Disposals	-	-	(6,047)	-	(6,047)
Balance at December 31, 2019	<u>-</u>	<u>2,080,557</u>	<u>645,241</u>	<u>-</u>	<u>2,725,798</u>
Net Book Value :					
- at December 31, 2020	<u>584,640</u>	<u>1,305,359</u>	<u>214,021</u>	<u>1,332</u>	<u>2,105,352</u>
- at December 31, 2019	<u>584,640</u>	<u>1,391,748</u>	<u>237,554</u>	<u>9,485</u>	<u>2,223,427</u>

As of December 31, 2020, the net book value of the Company's building assigned under mortgage instituted as collateral to securitize the repayment of borrowings amounted to RSD 1,305,359 thousand. In 2017 the Company repaid the loan in full, but the mortgage lien has remained registered with the Real Estate Cadaster and Lien Register, i.e., has not been removed until these financial statement issue date.

21. LONG-TERM FINANCIAL INVESTMENTS

	December 31, 2020	December 31, 2019
Equity investment in related party	666,189	-
Impairment of equity investment	(207,134)	-
	<u>459,055</u>	<u>-</u>
Long-term financial investments to the related party (Note 37)	249,897	-
Long-term financial investments to other related parties (Note 37)	-	249,915
Less: Current portion of the long-term investments (Note 25)	-	(129,386)
	<u>708,952</u>	<u>120,529</u>

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21. LONG-TERM FINANCIAL INVESTMENTS (Continued)

On January 8, 2020 the Company bought 63.859 shares of Excelsior a.d., Beograd at 10,347 dinars per share, totaled RSD 666,189 thousand, including a transactional cost of RSD 5,440 thousand. After this transaction the Company became a 100% owner of Excelsior a.d., Beograd with an equity investment in the amount of RSD 666,189 thousand. As of December 31, 2020 the Company impaired this equity investment in the amount of RSD 207,134 thousand and recognized losses on the value adjustment of other assets at fair value through profit and loss. As of December 31, 2020 the recoverable value of equity investment in Excelsior a.d., Beograd amounted RSD 459,055 thousand.

As of December 31, 2020, the Company's long-term investments made to the related party totaling RSD 249,897 thousand (EUR 2,125,331) refer to a long-term loan the Company approved to a related party under the loan agreement executed on March 13, 2019, which stipulates that the maximum loan amount shall not exceed EUR 1,025,000 in RSD equivalent, translated at the exchange rate effective as of the loan approval date (RSD 120,520 thousand as of December 31, 2020). The EUR equivalent amount shall be used as the basis for calculation of the loan principal, interest, fee and other payments defined by the loan agreement. The loan repayment due date is April 1, 2024 and the interest rate applied equals 3.42% per annum. The purpose of the loan is early repayment of the loans due to commercial banks (refinancing). The collateral obtained comprises a mortgage lien assigned over a property registered on the cadastral lot no. 4939 and 10 blank promissory notes. Long-term loan in the amount of RSD 129,377 thousand (EUR 1,100,331) as of December 31, 2020 refers to a loan approved to the related party under the loan agreement executed on March 12, 2018, which stipulates that the maximum loan amount shall not exceed RSD 150 million in EUR equivalent, translated at the exchange rate effective as of the loan approval date. The EUR equivalent amount shall be used as the basis for calculation of the loan principal, interest, fee and other payments defined by the loan agreement. The loan repayment due date is April 1, 2020 and the interest rate applied equals 3.42% per annum. In accordance with the Annex of the loan agreement executed during 2020, the loan repayment date was extended up to December 31, 2022. The purpose of the loan is purchase of the shares from non-consenting shareholders and withdrawal of the related party's shares from the Belgrade Stock Exchange listing. The collateral obtained is a corporate guarantee provided by ETERIA ELLINIKON XENODOHEION LAMPSA AE, Greece.

22. INVENTORIES

	December 31, 2020	December 31, 2019
Materials, spare parts, tools and fixtures		
- spare parts	11,824	12,630
- miscellaneous materials	5,345	6,504
- food	2,702	4,214
- fuel	556	933
- office supplies	3,152	2,978
- small tools and fixtures in use	-	4,192
	23,579	31,451
Goods:		
- drinks, beverages	6,397	10,201
- cigarettes	164	395
Goods in retail	390	-
	6,951	10,596
Advances paid to suppliers	4,278	14,975
	34,808	57,022

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23. TRADE RECEIVABLES

	December 31, 2020	December 31, 2019
Domestic trade receivables - related party (Note 37)	131	290
Domestic trade receivables	11,335	27,473
	11,466	27,763

24. OTHER RECEIVABLES

	December 31, 2020	December 31, 2019
Interest receivables	8,677	2,184
Receivables from employees	599	726
Receivables for prepaid income tax (note 18(d))	47,820	-
Other current receivables	345	971
	57,441	3,881

25. SHORT-TERM FINANCIAL INVESTMENTS

	December 31, 2020	December 31, 2019
Current portion of long-term financial investments (Note 21)	-	129,386
Short-term investments:		-
- in local currency	-	80,000
	-	209,386

26. CASH AND CASH EQUIVALENTS

	December 31, 2020	December 31, 2019
Current accounts in RSD	158,267	844,046
Cash on hand in RSD	260	2,570
Foreign currency accounts	13,054	40,661
Cash on hand in foreign currencies	235	235
Other cash funds	736	-
Short-term deposits maturing within 90 days	55	108
	172,607	887,620

27. PREPAYMENTS

	December 31, 2020	December 31, 2019
Prepaid insurance costs	4,287	4,247
Prepaid software maintenance costs	1,228	1,288
Non-invoiced income receivables and other prepayments	4,763	831
	10,278	6,366

NOTES TO THE FINANCIAL STATEMENTS

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28. EQUITY

The structure of the Company's share capital as of December 31, 2020 and 2019 was as follows:

	December 31, 2020		December 31, 2019	
	RSD '000	%	RSD '000	%
Luella Enterprises Company, Cyprus	2,556,456	94.60	2,556,457	94.60
BMP a.d., Beograd	145,923	5.40	145,923	5.40
	<u>2,702,379</u>	<u>100.00</u>	<u>2,702,379</u>	<u>100.00</u>

Movements on the equity accounts during 2020 and 2019 were as follows:

	Share Capital	Reserves	Retained Earnings	Treasury shares purchased	Accumulated Losses	Total
Balance at January 1, 2020	2,702.379	361,669	1,180,314	(145,923)	(1,217,950)	2,880,489
Loss for the year	-	-	-	-	(346,163)	(346,163)
Balance at December 31, 2020	<u>2,702.379</u>	<u>361,669</u>	<u>1,180,314</u>	<u>(145,923)</u>	<u>(1,564,113)</u>	<u>2,534,326</u>
Balance at January 1, 2019	2,702.379	361,669	948,439	(145,923)	(1,217,950)	2,648,614
Net profit for the year	-	-	231,875	-	-	231,875
Total comprehensive income, net	-	-	231,875	-	-	231,875
Balance at December 31, 2019	<u>2,702.379</u>	<u>361,669</u>	<u>1,180,314</u>	<u>(145,923)</u>	<u>(1,217,950)</u>	<u>2,880,489</u>

The Company's share capital comprised 7,417 common stock (ordinary) shares and 750 preferred shares with the same par value of RSD 330,890 per share. Preferred shares do not carry voting rights but entail entitlement to the bankruptcy estate distribution and priority upon dividend payment.

In December 2017 the Company executed the Share Sales and Purchase Agreement with Putnik a.d., Beograd and purchased all of its own shares previously owned by Putnik a.d., Beograd (8 shares with the par value of RSD 330,890 per share).

On March 14, 2018, the Company purchased 441 of its treasury shares from Energoprojekt Holding a.d., Beograd, so that, according to the excerpt from the Central Securities Depository and Clearing House, the Company's equity ownership as of March 14, 2018 was as follows:

	March 14, 2018		
	RSD '000	Share count	% Equity share
Luella Enterprises Company, Cyprus	2,556,456	7,726	94.60
BMP a.d. Beograd	145,923	441	5.40
	<u>2,702,379</u>	<u>8,167</u>	<u>100.00</u>

After the aforesaid date, there have been no changes to the ownership structure, so that it was the same as of December 31, 2020.

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29. LONG-TERM PROVISIONS

	December 31, 2020	December 31, 2019
Provisions for:		
- retirement and other employee benefits	8,922	9,767
- Litigations	138,231	138,231
	147,153	147,998

Provisions for litigations totaling RSD 138,231 thousand as of December 31, 2020 (December 31, 2019: RSD 138,231 thousand) for the major part of RSD 135,955 thousand, refer to the legal proceedings in progress before the judicial bodies of the Republic of Serbia for determining the right to the monetary compensation to the former owners for the land expropriated, where the buildings of the Hyatt Hotel, NIS a.d., Novi Sad and Construction Company Rad, Belgrade were built (Note 39).

The Company had an independent actuary perform calculation of the present value of its liabilities for the employee retirement benefits as of December 31, 2020 in accordance with IAS 19, which amounted to RSD 8,922 thousand (December 31, 2019: RSD 9,767 thousand). As a result, the Company released a provision for retirement and other employee benefits in the amount of RSD 845 thousand and recognized other income in 2020 (Note 16).

30. LONG-TERM LIABILITIES

	December 31, 2020	December 31, 2019
Long-term borrowings, domestic	270,014	317,500
Less: Current portion of long-term borrowings (Note 31)	(63,533)	(63,500)
	206,481	254,000
Long-term finance lease liabilities	-	474
Less: Current portion of finance lease liabilities (Note 31)	-	(474)
	-	-
	206,481	254,000
Other long-term liabilities	3,534	3,380

The Company's long-term borrowings totaling RSD 270,014 thousand as of December 31, 2020 relate to the long term-loan approved by Eurobank ad, Beograd in the amount of EUR 2,700,000 (with a currency clause index) on December 24, 2019 for the purchase of all shares of Excelsior ad, Beograd held by LAMPASA A.E. The loan was obtained at an interest rate equal to 3M EURIBOR plus 3.00% per annum, with a repayment period of 60 months. A loan repayment date was extended for three months, up to March 31, 2025 as a result of moratorium on loan repayment due to pandemic caused by COVID 19.

As collateral securitizing timely loan repayment, the Company provided 10 blank promissory notes, an out-of-court executable first mortgage lien instituted over a commercial building owned by Excelsior ad, Beograd and a setup of a guarantee deposit 6 months after the first loan tranche draw-down (which will accrue interest at the rate equal to 3M BELIBOR in accordance with the contract that will be executed between the parties).

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31. SHORT-TERM FINANCIAL LIABILITIES

	December 31, 2020	December 31, 2019
Current portion of long-term borrowings (Note 30)	63,533	63,500
Current portion of finance lease liabilities (Note 30)	-	474
	63,533	63,974

32. ADVANCES, DEPOSITS AND RETAINERS RECEIVED AND TRADE PAYABLES

	December 31, 2020	December 31, 2019
Advances received	11,962	20,289
Trade payables		
Trade payables – related party, domestic (Note 37)	705	-
Trade payables – other foreign related parties, remunerations to the management (Note 37)	12,620	7,683
Domestic trade payables	4,958	13,419
Foreign trade payables	3,806	3,594
Other liabilities	1	-
	22,090	24,696

33. OTHER CURRENT LIABILITIES

	December 31, 2020	December 31, 2019
Deferred taxes and contributions on salaries	24,216	-
Liabilities to employees	53	1,581
	24,269	1,581

In accordance with the Regulation on procedure on deferred payment of taxes and contributions with the purpose of mitigation of economic consequences caused by COVID 19 (Official Gazette of the Republic of Serbia no. 156 on December 25, 2020) the Company deferred taxes and contributions on salaries in the amount of RSD 24,216 thousand as of December 31, 2020.

34. VALUE ADDED TAX PAYABLE

Value added tax payable amounting to RSD 1,087 thousand as of December 31, 2020 (December 31, 2019: RSD 11,484 thousand) entirely relate to the value added tax liabilities arising from the difference between the output and input VAT amounts.

35. OTHER TAXES, CONTRIBUTIONS AND DUTIES PAYABLE

	December 31, 2020	December 31, 2019
Income tax liabilities	-	13,100
Other taxes, contributions and duties payable	263	1,175
	263	14,275

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

36. ACCRUALS

	December 31, 2020	December 31, 2019
Accrued expenses for bonuses	-	10,688
Accrued electricity costs	2,364	3,307
Accrued gas costs	2,218	3,451
Accrued Gold Passport expenses	271	1,247
Accrued tourist agency expenses	-	1,598
Accrued HR activity expenses	767	3,376
Accrued other expenses	6,244	8,792
Deferred Fitness Club income	5,286	5,344
Deferred other income	3,443	2,971
	20,593	40,774

37. RELATED PARTY DISCLOSURES

In the normal course of business, the Company enters into transactions with its related parties (in addition to the majority and minority shareholders, related parties include member firms of the Lampsa Hellenic Hotel Group). Relationships and transactions among the Company and its related parties are defined on a contractual basis and performed under market terms. As of December 31, 2020 and 2019 the balances of receivables and payables and related party transactions relate to the fees payable under the Management Agreement to Hyatt International EAME, interest income, foreign exchange gains and losses, trade receivables, long-term loan receivables and trade payables (management fees payable to Hyatt International EAME).

a) Balance Sheet

The Company had the following balances of receivables and payables arising from the related party transactions:

	December 31, 2020	December 31, 2019
Long-term financial investments (Note 21)		
- Excelsior a.d., Beograd	249,897	120,529
Trade receivables (Note 23)		
- Excelsior a.d., Beograd	131	290
Short-term financial investments (Note 25)		
- Excelsior a.d., Beograd	-	129,386
Total receivables	250,028	250,205
Trade payables (Note 32)		
- Hyatt International EAME	(12,620)	(7,683)
- Excelsior a.d., Beograd	(705)	-
	(13,325)	(7,683)
Total liabilities	(13,325)	(7,683)
Receivables, net	236,703	242,522

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

37. RELATED PARTY DISCLOSURES (Continued)

b) Income Statement

Breakdown of income and expenses arising from the related party transactions is presented in the following table:

	2020	2019
Sales of products and services (Note 5):		
- Excelsior a.d., Beograd	999	2,733
Finance income (Note 14)		
- Excelsior a.d., Beograd	8,695	7,668
Total income	9,694	10,401
Non-material costs (Note 13)		
- Hyatt International EAME	(15,200)	(95,067)
- Excelsior a.d., Beograd	(2,939)	(4,708)
Finance expenses (Note 15)		
- Excelsior a.d., Beograd	(36)	(1,055)
Total expenses	(18,175)	(100,830)
Expenses, net	(8,481)	(90,429)

The Company calculated and paid remunerations to the members of the Board of Directors in the total amount of RSD 2,551 thousand, gross for the year ended December 31, 2020.

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital Risk Management

There is no formal framework delineating the Company's capital risk management. The Company manages capital risk and tries to relieve the risk effects in order to ensure the continuity of its business operations in the foreseeable future while maximizing return on equity to its owners through optimization of the capital structure and debt to equity ratio. The Company's equity includes cash and cash equivalents (Note 26) and equity attributable to owners, which include share capital, reserves, retained earnings, as well as accumulated losses.

Persons in control of finances on the Company level review the equity structure on an annual basis. As a part of the review at issue, Management considers the price of capital and risks related to each type of capital.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Capital Risk Management (Continued)

The Company's gearing ratios as of the year-end were as follows:

	December 31, 2020	December 31, 2019
Debt a)	273,548	321,354
Cash and cash equivalents	(172,607)	887,620
Net debt	<u>100,941</u>	<u>-</u>
Equity b)	<u>2,534,326</u>	<u>2,880,489</u>
Debt to equity ratio	<u>0,04</u>	<u>-</u>

a) Debt is related to long-term and short-term financial liabilities.

b) Equity includes share capital, reserves, retained earnings and accumulated losses.

Significant accounting policies with reference to financial instruments

Details of significant accounting policies, as well as criteria and basis for the recognition of income and expenses for all types of financial assets and liabilities are disclosed in Note 3 of these financial statements.

Categories of Financial Instruments

	December 31, 2020	December 31, 2019
Financial assets		
Long-term financial investments	249,897	120,529
Short-term financial investments	-	209,386
Trade receivables	11,466	27,763
Receivables from specific operations	-	2
Receivables for non-invoiced income	4,763	831
Cash and cash equivalents	172,607	887,620
	<u>438,733</u>	<u>1,246,131</u>
Financial liabilities		
Trade payables	22,090	24,696
Long-term borrowings, domestic	206,481	254,000
Other long-term liabilities	3,534	3,380
Current portion of long-term borrowings and finance lease liabilities	63,533	63,974
Accrued expenses and other liabilities	11,864	21,771
	<u>307,502</u>	<u>367,821</u>

Basic financial instruments held by the Company comprise long-term and short-term financial investments, cash and cash equivalents, trade receivables, interest receivables and borrowings, trade payables and interest liabilities, primarily used to finance the Company's current operations. In the regular course of business, the Company is exposed to the risk enumerated and delineated in the following passages.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Financial Risk Management

Financial risks include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. These risks are considered on time basis and are diminished by decreasing relevant exposures. The Company does not make use of derivative financial instruments so as to avoid the adverse effect of these risks on the Company's business operations, due to the fact that such instruments are not commonly used on the Republic of Serbia market, nor is there an organized market for such instruments in the Republic of Serbia.

Market Risk

In its business operations, the Company is exposed to financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposure is measured by means of sensitivity analysis. There have been no significant changes in the manner in which the Company manages and measures the risk exposure.

Foreign Currency Risk

The Company is exposed to foreign currency risks inherent in trade receivables, short-term investments, cash and cash equivalents, long-term borrowings, other short-term financial liabilities and trade payables denominated in foreign currencies. The Company does not make use of any special hedging instruments given that such instruments are uncommon in the Republic of Serbia.

The stability of economic environment in which the Company operates is greatly dependent upon the economic measures taken by the Republic of Serbia's Government including the establishment of an adequate legal and legislative framework.

The carrying values of the Company's foreign currency denominated monetary assets and liabilities as of the reporting date were as follows:

	In RSD '000			
	Assets		Liabilities	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
EUR	257,538	284,172	270,014	321,568
USD	5,648	6,639	886	7,683
	263,186	290,811	270,900	329,251

The Company is sensitive to the movements in the EUR and USD exchange rates. The following table provides details on the Company's sensitivity to the increase and decrease of 10% in the RSD to foreign currency exchange rate. The 10% sensitivity rate was used in internal reporting on the foreign currency risk and it represents the management's best estimate of reasonably expected fluctuations in exchange rates. The sensitivity analysis includes only the outstanding foreign currency assets and liabilities and it adjusts their translation at the period end for the 10% fluctuation in foreign exchange rates. The positive figures in the table indicate a decrease in the result of the current period, being the case when RSD depreciates against the currency at issue. In case of a RSD 10% appreciation against the foreign currency at issue, the impact on the profit for the current period would be the exact opposite of the one calculated in the previous case.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Market Risk (Continued)

Foreign Currency Risk (Continued)

	December 31, 2020	RSD '000 December 31, 2019
EUR	(1,248)	(3,740)
USD	476	(104)
Impact on the current year's P&L	(772)	(3,844)

The Company's sensitivity to the changes in foreign currency exchange rates decreased in the current period, mainly as a result of the effects of the nominal decrease in foreign currency assets.

Interest Rate Risk

The Company is not exposed to the risk of changes in interest rates.

The carrying values of financial assets and liabilities at the end of the period under review are presented in the following table:

	December 31, 2020	December 31, 2019
Financial assets		
Non-interest bearing		
Trade receivables	11,466	27,763
Receivables from specific operations	-	2
Receivables for non-invoiced income	4,763	831
Cash and cash equivalents	172,607	887,620
	188,836	916,216
Fixed interest rates		
Short-term financial investments	-	209,386
Long-term financial investments	249,897	120,529
	249,897	329,915
	438,733	1,246,131
Financial liabilities		
Non-interest bearing		
Trade payables	22,089	24,696
Accrued expenses and other liabilities	11,864	21,769
Other long-term liabilities	3,534	3,380
	37,487	49,845
Fixed interest rates		
Long-term borrowings, domestic	206,481	254,000
Finance lease liabilities	-	-
Current portion of long-term borrowings and finance lease liabilities	63,533	63,974
	270,014	317,974
	307,501	367,819

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Credit Risk

Managing Trade Receivables

Credit risk relates to the exposure inherent in the possibility that the counterparty fails to act upon its contractual commitments and causes the Company to suffer loss. The Company's exposure to this risk is primarily related to receivables from customers as of the balance sheet date.

The Company's most significant customers are presented below:

	December 31, 2020	December 31, 2019
City Records d.o.o., Beograd	4,924	4,000
OSCE	-	2,171
Lufthansa City Line GmbH, Köln, Germany	2,341	1,997
Mihajlo Pupin Institute, Belgrade	1,153	1,689
Prima Market	572	1,006
Adria Media Magazine d.o.o.	-	704
Energy Community	-	689
NALED	-	593
Miross TA, Belgrade	-	372
X Body Studio	464	-
Other customers	2,012	14,542
	<u>11,466</u>	<u>27,763</u>
<i>Less: Allowance for impairment of trade receivables</i>	<u>-</u>	<u>-</u>
	<u><u>11,466</u></u>	<u><u>27,763</u></u>

Breakdown of the Company's trade receivables as of December 31, 2020 is presented in the following table:

	Gross Exposure	Impairment Allowance	Net Exposure
Trade receivables, not matured	3,762	-	3,762
Trade receivables, matured and provided for	-	-	-
Trade receivables, matured but not provided for	7,704	-	7,704
	<u>11,466</u>	<u>-</u>	<u>11,466</u>

Breakdown of the Company's trade receivables as of December 31, 2019 is presented in the following table:

	Gross Exposure	Impairment Allowance	Net Exposure
Trade receivables, not matured	14,358	-	14,358
Trade receivables, matured and provided for	-	-	-
Trade receivables, matured but not provided for	13,405	-	13,405
	<u>27,763</u>	<u>-</u>	<u>27,763</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Credit Risk (Continued)

Managing Trade Receivables (Continued)

Trade receivables, not matured

Trade receivables, not matured totaling RSD 3,762 thousand as of December 31, 2020 (December 31, 2019: RSD 14,358 thousand) mainly relate to receivables from the sales of services in the last week of 2020. These receivables mainly mature within 7 days from the invoice date, depending on the contractual terms of payment. The average days sales outstanding in 2020 counted 14 days (2019: 7 days).

Trade receivables, matured and provided for

In prior periods the Company made impairment allowance of receivables matured and past due in the amount of RSD 1,263 thousand, due from customers whose creditworthiness was determined to have changed and which were assessed as unlikely to be collected in full. In 2017 the Company derecognized those receivables and the related impairment allowance. During 2020 and 2019 no additional allowances were charged.

Trade Receivables, matured but not provided for

The aging of trade receivables, matured but not provided for is presented in the table below:

	December 31, 2020	December 31, 2019
Less than 30 days past due	3,325	9,956
From 31 to 90 days past due	2,997	3,363
From 91 to 180 days past due	1,382	86
From 181 to 365 days past due	-	-
Over a year past due	-	-
	7,704	13,405

Managing Trade Payables

The Company's trade payables are stated as amounting to RSD 22,089 thousand as of December 31, 2020 (December 31, 2019: RSD 24,696 thousand). Suppliers do not charge penalty (default) interest on outstanding liabilities, whereas the Company settled its dues to suppliers within the agreed terms, in accordance with the financial risk management policies in place. The average days payable outstanding in 2020 counted 29 days (2019: 15 days).

Liquidity Risk

The ultimate responsibility for liquidity risk management resides with the Company's management, which is also responsible for managing the Company's short-term, medium-term and long-term financing and liquidity management. The Company manages liquidity by maintaining the necessary level of cash reserves, based on continued monitoring over the planned and actual cash flows, as well as by adequately matching the maturities of financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Liquidity Risk (Continued)

Liquidity Risk and Credit Risk Tables

The following tables detail the Company's remaining contractual maturity of its financial assets. The tables have been drawn up based on the undiscounted cash flows of financial assets based on the earliest date on which the Company may be able to collect such receivables.

Maturities of Financial Assets

	December 31, 2020					Total
	Within 1 Month	From 1 to 3 Months	3 Months to 1 Year	From 1 to 5 Years	Over 5 years	
Non-interest bearing	184,458	2,997	1,381	-	-	188,836
Fixed interest rate						
- principal	-	-	-	249,897	-	249,897
- interest	736	1,401	6,528	10,506	-	19,171
	<u>185,194</u>	<u>4,398</u>	<u>7,909</u>	<u>260,403</u>	<u>-</u>	<u>457,904</u>

	December 31, 2019					Total
	Within 1 Month	From 1 to 3 Months	3 Months to 1 Year	From 1 to 5 Years	Over 5 years	
Non-interest bearing	916,216	-	-	-	-	916,216
Fixed interest rate						
- principal	-	80,000	129,386	120,529	-	329,915
- interest	-	394	1,119	17,759	-	19,272
	<u>916,216</u>	<u>80,394</u>	<u>130,505</u>	<u>138,288</u>	<u>-</u>	<u>1,265,403</u>

The following tables provide the details of outstanding contractual liabilities of the Company. The amounts presented are based on the undiscounted cash flows arising from financial liabilities based on the earliest date upon which the Company will be due to settle such payables.

Maturities of Financial Liabilities

	December 31, 2020					Total
	Within 1 Month	From 1 to 3 Months	3 Months to 1 Year	From 1 to 5 Years	Over 5 years	
Non-interest bearing	22,090	11,863	-	3,534	-	37,487
Fixed interest rate						
- principal	-	15,883	47,649	206,482	-	270,014
- interest	-	2,030	5,476	11,017	-	18,523
	<u>22,090</u>	<u>29,776</u>	<u>53,125</u>	<u>221,033</u>	<u>-</u>	<u>326,024</u>

	December 31, 2019					Total
	Within 1 Month	From 1 to 3 Months	3 Months to 1 Year	From 1 to 5 Years	Over 5 years	
Non-interest bearing	24,696	21,769	-	3,380	-	49,845
Fixed interest rate						
- principal	-	47,625	16,349	254,000	-	317,974
- interest	-	2,558	6,883	17,223	-	26,664
	<u>24,696</u>	<u>71,952</u>	<u>23,232</u>	<u>274,603</u>	<u>-</u>	<u>394,483</u>

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Fair Value of Financial Instruments

As of December 31, 2020 and December 31, 2019, the carrying values of the Company's financial assets and liabilities did not depart from the fair values thereof.

Assumptions for the Assessment of Financial Instruments' Current Fair Value

Given that the sufficient market experience, stability and liquidity do not presently exist for the purchase and sale of financial assets or liabilities, and given that the quoted prices, which could be used for the purposes of disclosing fair value of financial assets and liabilities are unavailable, the method here applied is that of discounted cash flows method. In using the discounted cash flows method of measurement, interest rates for financial instruments with similar characteristics have been used, with the aim to arrive at the relevant assessment of market values of financial instruments as of the balance sheet date.

39. LITIGATION

Provisions for Litigations

As of December 31, 2020 the Company was involved in several legal suits on various grounds. The aggregate amount claimed in the legal suits filed against the Company totaled RSD 294,057 thousand as of December 31, 2020, excluding any penalty interest. As of December 31, 2019 based on the opinion of the attorneys and management's estimate, the Company made a provision of RSD 138,231 thousand which remained unchanged as of December 31, 2020.

The most significant lawsuits filed against the Company include the administrative proceedings for determining the right to the compensation of the former owners of the confiscated land on which the Hyatt Hotel and buildings of NIS a.d., Novi Sad ("NIS") and GP Rad, Beograd ("Rad") were built as well as three labor lawsuits with former executives.

Administrative proceedings for the compensation to the former owners of the confiscated land on which the Hyatt Hotel, NIS and Rad buildings were built was finalized before the Commission for the proceedings and deciding on the restitution of the land of the Municipality New Belgrade (the "Commission"). The Commission's first-instance Resolution dated March 19, 2013 confirmed the Company's obligation to pay the compensation to the former owners for the commensurate portion of the land used of 2,111 m². As the second-instance authority, the RS Ministry of Finance rejected the Company's appeal to the aforesaid Resolution on September 9, 2013. On October 24, 2013 the Company filed a suit to the Administrative Court against the second-instance Resolution of the Ministry of Finance, which was rejected by the Administrative Court in its Ruling dated December 9, 2014. As the only remaining remedy, the Company appealed to the Constitutional Court of the Republic of Serbia on January 22, 2015.

Under Decision enacted by the Third Basic Court in Belgrade on March 4, 2019, the consideration for half of the expropriated land, belonging to one of the owners, was set in the amount of RSD 69,115,459, which shall be paid in equal quarterly installment within 10 years as from the expiration date of a year from the court decision finality date. The first-instance court determined the consideration amount based on the report of the Tax Administration dated June 9, 2016, where it is stated that the market value of the land at hand was RSD 65,481.25 per square meter. On May 16, 2019, the Company filed an appeal against the aforesaid Decision with a competent second-instance court. Accordingly, the Company made a provision for a loss contingent on this lawsuit of RSD 138,231 thousand (the amount of the consideration at the market value as determined by the Tax Administration for the total land area). It was established that one of the former land owners passed away in 2011, so the proceedings were discontinued for this litigant. Given that the litigation has not yet been resolved and that the Company made a provision based on the determined market value of the land at issue, the management believes that the provision made is sufficient and that the Company will have no other significant contingent liabilities in this respect.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated.

39. LITIGATION (Continued)

Provisions for Litigations (Continued)

Legal proceedings totaling RSD 130,986 thousand have been filed against the Company by two former employees (the "Plaintiffs") over payment of compensation for termination of employment and based on non-competition clause. The Company holds that employment of the Plaintiffs was terminated in accordance with the Labor Law, since the Plaintiffs refused to continue employment with the Company. In addition, in the management's opinion, the Plaintiffs are exempt from the prohibition to perform competitive activities in accordance with the executed Employment Contracts. Based on the report of the expert finance valuer, the Company filed countersuits against the Plaintiffs claiming damages incurred based on the Plaintiffs' unjustified receipt of funds from the Company. Given the early stage of the aforesaid labor lawsuits, and the fact that there are countersuits filed, the management believes that no provisions need be made for losses contingent on these lawsuits in the financial statements for 2020.

40. TAXATION RISKS

The Republic of Serbia tax legislation is subject to varying interpretations and changes occur frequently. Interpretation of the tax legislation by the tax authorities as applied to the transactions and activity of the Company may not coincide with that of the management. As a result, transactions may be challenged by the tax authorities and the Company may be assessed additional taxes, penalties and interest, which can be significant. The statute of limitations on tax liabilities is five years. This virtually means that the tax authorities could determine payment of outstanding liabilities in the period of five years from the liability origination.

41. EXCHANGE RATES

The official middle exchange rates for major currencies as determined at the interbank foreign exchange market and used in the translation of balance sheet components denominated in foreign currencies into dinars were as follows:

	December 31, 2020	RSD December 31, 2019
EUR	117.5802	117.5928
USD	95.6637	104.9186

APPENDIX 1

INCOME STATEMENT

Year Ended December 31, 2020

(Thousands of EUR)

	<u>2020</u>	<u>2019</u>
Operating income		
Sales of goods sold to domestic customers	286	713
Sales of products and services to domestic parent companies and subsidiaries	8	-
Sales of products and services to other related parties in the domestic market	-	23
Sales of products and services to domestic customers	3,727	10,790
Income from premiums, subsidies, grants, donations and similar	441	-
Other operating income	231	411
	<u>4,693</u>	<u>11,937</u>
Operating expenses		
Cost of commercial goods sold	(83)	(155)
Cost of materials	(646)	(1,345)
Cost of fuel and energy	(432)	(601)
Staff costs	(2,236)	(3,242)
Cost of production services	(567)	(881)
Depreciation/amortization charge	(1,362)	(1,309)
Long-term provisions	-	(302)
Non-material costs	(629)	(1,880)
	<u>(5,955)</u>	<u>(9,715)</u>
(Loss)/Profit from operations	<u>(1,262)</u>	<u>2,222</u>
Finance income		
Finance income from parent company and subsidiaries	74	-
Finance income from other related parties	-	65
Interest income (from third parties)	7	75
Foreign exchange gains and positive currency clause effects (to third parties)	81	-
	<u>162</u>	<u>140</u>
Finance expenses		
Finance expenses incurred with parent company and subsidiaries	-	-
Finance expenses incurred with other related parties	-	(9)
Interest expenses (to third parties)	(60)	-
Foreign exchange losses and negative currency clause effects (to third parties)	(75)	(14)
	<u>(135)</u>	<u>(23)</u>
Profit from financing activities	<u>27</u>	<u>117</u>
Losses on the value adjustment of other assets at fair value through profit and loss	(1,762)	-
Other income	14	17
Other expenses	(27)	(39)
	<u>(1,775)</u>	<u>(21)</u>
(Loss)/Profit from continuing operations before taxes	<u>(3,010)</u>	<u>2,317</u>
Net profit from discontinued operations, effects of changes in the accounting policies and prior years' error adjustment	6	-
	<u>6</u>	<u>-</u>
Current income tax expense	-	(441)
Deferred tax benefits	59	91
	<u>59</u>	<u>91</u>
NET (LOSS)/PROFIT FOR THE YEAR	<u>(2,945)</u>	<u>1,967</u>

Note:

In accordance with the majority shareholders requirements, the Company's financial statements prepared in accordance with the accounting regulations of the Republic of Serbia and presented in the Company's Serbian dinar (functional currency) were translated into EUR (presentation currency).

Translation of Income Statement for the years ended December 31, 2020 and 2019 was performed using the following average exchange rates:

- 2020: 117.5780
- 2019: 117.8593

Translation of the Auditors' Report issued in the Serbian language

These draft financial statements are intended only for management of the Company for their review. As such, there may still be further adjustments and restatements of amounts and disclosures in these draft financial statements. This draft Auditors' Report is a subject of changes due to not completed Quality Assurance Review.

APPENDIX 2

BALANCE SHEET
As of December 31, 2020
(Thousands of EUR)

	December 31, 2020	December 31, 2019
ASSETS		
Non-current assets	24,034	20,028
<i>Intangible assets</i>	100	95
Concessions, patents, licenses, trademarks, software and other rights	22	34
Other intangible assets	78	61
<i>Property, plant and equipment</i>	17,905	18,908
Land	4,972	4,972
Buildings	11,102	11,835
Plant and equipment	1,820	2,020
Advances paid for property, plant and equipment	11	81
<i>Long-term financial investments</i>	6,029	1,025
Equity investments	3,904	-
Long-term financial investments in parent companies and other subsidiaries	2,125	-
Long-term financial investments in other related parties	-	1,025
Current assets	2,437	10,136
<i>Inventories</i>	296	484
Materials, spare parts, small tools and fixtures	201	267
Goods	59	90
Advances paid for inventories and services	36	127
<i>Trade receivables</i>	97	236
Domestic – parent companies and subsidiaries	1	-
Domestic – other related parties	-	2
Domestic	96	234
Other receivables	489	33
<i>Short-term financial investments</i>	-	1,781
Other short-term financial investments	-	1,781
Cash and cash equivalents	1,468	7,548
Prepayments	87	54
Total assets	26,471	30,164

(Continued)

Translation of the Auditors' Report issued in the Serbian language

These draft financial statements are intended only for management of the Company for their review. As such, there may still be further adjustments and restatements of amounts and disclosures in these draft financial statements. This draft Auditors' Report is a subject of changes due to not completed Quality Assurance Review.

BALANCE SHEET (Continued)
As of December 31, 2020
(Thousands of EUR)

	December 31, 2020	December 31, 2019
EQUITY AND LIABILITIES		
Equity	21,554	24,494
Share capital	30,860	30,860
Treasury shares purchased	(1,235)	(1,235)
Reserves	4,476	4,476
Current year's (loss)/retained earnings	(2,945)	1,967
Prior years' retained earnings	11,308	9,341
Prior years' accumulated losses	(10,710)	(10,710)
Translation reserves	(10,200)	(10,205)
Non-current provisions and liabilities	3,038	3,448
Provisions for retirement and other employee benefits	76	83
Provisions for litigations	1,176	1,176
Long-term borrowings, domestic	1,756	2,160
Other long-term liabilities	30	29
Deferred tax liabilities	658	716
Current liabilities		
Short-term financial liabilities	540	544
Other short-term financial liabilities	540	544
Advances, deposits and retainers received	102	173
Trade payables	187	210
Domestic – parent company and subsidiaries	6	-
Foreign – other related parties	107	65
Domestic	42	114
Foreign	32	31
Other current liabilities	206	13
Value added tax payable	9	98
Income tax liabilities	-	111
Other taxes, contributions and duties payable	2	10
Accruals	175	347
Total equity and liabilities	26,471	30,164

Note:

In accordance with the majority shareholder requirements, the Company's financial statements prepared in accordance with the accounting regulations of the Republic of Serbia and presented in the Company's Serbian dinar (functional currency) were translated into EUR (presentation currency).

Translation of Balance Sheet as at December 31, 2020 and 2019 was performed using the following rates:

- Balance Sheet items at December 31, 2020 except for the share capital, revaluation reserves and net profit were translated using the closing rate: 117.5802
- Balance Sheet items at December 31, 2019 except for the share capital, revaluation reserves and net profit were translated using the closing rate: 117.5928
- Share capital at December 31, 2020 and December 2019 was translated using the historical exchange rate: 87.569
- Treasury shares purchased at December 31, 2020 was translated using the exchange rate at the date of transaction: 118.20
- Revaluation reserves at December 31, 2020 and December 31, 2019 were translated using the exchange rate at the date of revaluation of property, plant and equipment: 80.8018.
- Net profits for the years ended December 31, 2020 and December 31, 2019 were translated using the average exchange rate for 2020 and 2019: 117.5780 and 117.8593.

Translation of the Auditors' Report issued in the Serbian language

These draft financial statements are intended only for management of the Company for their review. As such, there may still be further adjustments and restatements of amounts and disclosures in these draft financial statements. This draft Auditors' Report is a subject of changes due to not completed Quality Assurance Review.