

**EXCELSIOR A.D., BEOGRAD**

**Financial Statements  
Year Ended December 31, 2020 and  
Independent Auditors' Report**

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*Translation of the Auditors' Report issued in the Serbian language*

**INDEPENDENT AUDITOR'S REPORT**

**TO THE SHAREHOLDERS OF THE COMPANY FOR HOTEL,  
CATERING AND TOURIST SERVICES "EXCELSIOR" a.d. BELGRADE**

**Opinion**

We have audited the financial statements of the Company for hotel, catering and tourist services "EXCELSIOR" a.d. Belgrade (hereinafter: the "Company"), which comprise the balance sheet as of 31 December 2020 and the income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2020, and its financial performance and its 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 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 Financial Statements section of our report. 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 Going Concern**

We draw your attention to Note 2.4, in which it was disclosed that the accompanying financial statements are prepared under the assumption that the Company will continue as a going concern. The rapid spread of the COVID-19 virus and its social and economic effects in Serbia, as well as globally, have led to a reduction in the volume of business during 2020 and the referral of employees to temporary paid leave. Although the Company has applied for economic assistance measures of the Government of the Republic of Serbia to mitigate the consequences caused by the COVID-19 pandemic, there is uncertainty regarding the extent of its impact on the future operations of the Company. The Company incurred a net loss of RSD 26,594 thousand in the current year (2019: RSD 8,684 thousand), while the accumulated loss of the Company as of 31 December 2020 amounts to RSD 124,353 thousand (including the net loss for the current year). Management expects in the coming period that the Company will continue to generate stable revenues and reduce costs, as well as that the increase in costs will be lower compared to the increase in revenues. In addition, the Company expects that a Management Agreement entered into with Orbis S.A. Warsaw, Poland, which will manage all hotel activities under the Mercure brand, will contribute to stabilization and profitability. The above-mentioned facts indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

(Continued)

Translation of the Auditors' Report issued in the Serbian language

## INDEPENDENT AUDITOR'S REPORT

### TO THE SHAREHOLDERS OF THE COMPANY FOR HOTEL, CATERING AND TOURIST SERVICES "EXCELSIOR" a.d. BELGRADE (Continued)

#### Other Matters

The financial statements of the Company for the year ended 31 December 2019 were audited by another auditor, who expressed an unqualified opinion to these financial statements in its Report dated 9 July 2020, with an emphasis of matter with respect to the material uncertainty related to going concern.

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

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(Continued)

Translation of the Auditors' Report issued in the Serbian language

**INDEPENDENT AUDITOR'S REPORT**

**TO THE SHAREHOLDERS OF THE COMPANY FOR HOTEL,  
CATERING AND TOURIST SERVICES "EXCELSIOR" a.d. BELGRADE (Continued)**

**Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

- 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 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, 23 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	6	9	3	4	2	1	8	Activity code	5	5	1	0	TIN	1	0	0	2	7	9	5	2	2
Name: EXCELSIOR A.D., BEOGRAD																							
Registered office: Kneza Milosa 5, Belgrade																							

**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
	<b>INCOME FROM OPERATIONS</b>				
60 to 65, except 62 and 63	<b>A. OPERATING INCOME (1002 + 1009 + 1016 + 1017)</b>	1001		58753	153847
60	I. SALES OF GOODS (1003 + 1004 + 1005 + 1006 + 1007 + 1008)	1002		0	0
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			
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	47778	145708
610	1. Sales of products and services to domestic parent companies and subsidiaries	1010	5	2351	
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			4459
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	43205	141249
615	6. Sales of products and services to foreign customers	1015	5	2222	
64	III. INCOME FROM PREMIUMS, SUBSIDIES, GRANTS, DONATIONS AND SIMILAR	1016	6	8740	
65	IV. OTHER OPERATING INCOME	1017	7	2235	8139
	<b>EXPENSES FROM OPERATIONS</b>				
50 to 55, 62 and 63	<b>B. OPERATING EXPENSES (1019 - 1020 - 1021 + 1022 + 1023 + 1024 + 1025 + 1026 + 1027 + 1028 + 1029) ≥ 0</b>	1018		99487	155000

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			
62	II. REVENUE FROM UNDERTAKING FOR OWN PURPOSES	1020		41	86
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	8	5656	16778
513	VI. FUEL AND ENERGY COSTS	1024	9	6694	7991
52	VII. STAFF COSTS	1025	10	35121	55332
53	VIII. PRODUCTION SERVICES COSTS	1026	11	6012	16300
540	IX. DEPRECIATION COSTS	1027	12	26869	27205
541 to 549	X. LONG-TERM PROVISIONS	1028			
55	XI. NON-MATERIAL COSTS	1029	13	19176	31480
	V. OPERATING PROFIT (1001 - 1018) ≥ 0	1030			
	G. OPERATING LOSS (1018 - 1001) ≥ 0	1031		40734	1153
66	D. FINANCIAL INCOME (1033 + 1038 + 1039)	1032	14	84	1292
66, except 662, 663 and 664	I. FINANCE INCOME FROM RELATED PARTIES AND OTHER FINANCE INCOME (1034 + 1035 + 1036 + 1037)	1033	14	42	46
660	1. Finance income from parent company and subsidiaries	1034			
661	2. Finance income from other related parties	1035			
665	3. Share in the profits of related parties and joint ventures	1036			
669	4. Other Finance income	1037	14	42	46
662	II. INCOME FROM INTEREST (FROM THIRD PARTIES)	1038			239
663 and 664	III. POSITIVE EFFECTS ON EXCHANGE RATE AND EFFECTS OF FOREIGN CURRENCY CLAUSE (TO THIRD PARTIES)	1039	14	42	1007
56	Đ. FINANCE EXPENSES (1041 + 1046 + 1047)	1040	14	8752	9424
56, except 562, 563 and 564	I. FINANCE EXPENSES INCURRED WITH related parties AND OTHER FINANCE EXPENSES (1042 + 1043 + 1044 + 1045)	1041	14	8677	7654
560	1. Finance expenses incurred with parent company and subsidiaries	1042	14	8677	
561	2. Finance expenses incurred with other related parties	1043	14		7654
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	14	1	1412
563 and 564	III. NEGATIVE EFFECTS ON EXCHANGE RATE AND EFFECTS OF FOREIGN CURRENCY CLAUSE (TO THIRD PARTIES)	1047	14	74	358
	E. PROFIT FROM FINANCING (1032 - 1040)	1048			
	Ž. LOSS FROM FINANCING (1040 - 1032)	1049		8668	8132
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		1232	
67 and 68, except 683 and 685	J. OTHER INCOME	1052	15	97	6
57 and 58, except 583 and 585	K. OTHER EXPENSES	1053	15	69	494
	L. PROFIT FROM REGULAR OPERATIONS BEFORE TAX (1030 - 1031 + 1048 - 1049 + 1050 - 1051 + 1052 - 1053)	1054			
	Lj. LOSS FROM REGULAR OPERATIONS BEFORE TAX (1031 - 1030 + 1049 - 1048 + 1051 - 1050 + 1053 - 1052)	1055		50606	9773
69-59	M. NET PROFIT FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS	1056		441	
59-69	N. NET LOSS FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS	1057			306
	Nj. PROFIT BEFORE TAX (1054 - 1055 + 1056 - 1057)	1058			
	O. LOSS BEFORE TAX (1055 - 1054 + 1057 - 1056)	1059		50165	10079
	P. TAX ON PROFIT				
721	I. CURRENT INCOME TAX EXPENSES	1060	17		631
part of 722	II. DEFERRED TAX EXPENSES OF A PERIOD	1061	17		
part of 722	III. DEFERRED TAX BENEFITS OF A PERIOD	1062	17	23571	2026
723	R. PERSONAL INDEMNITIES PAID TO EMPLOYER	1063			
	Š. NET PROFIT (1058 - 1059 - 1060 - 1061 + 1062 - 1063)	1064			
	T. NET LOSS (1059 - 1058 + 1060 + 1061 - 1062 + 1063)	1065		26594	8684
	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 _____ _____ on _____ 20____	Legal representative  S.P.
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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	6	9	3	4	2	1	8	Activity code	5	5	1	0	TIN	1	0	0	2	7	9	5	2	2
Name: EXCELSIOR A.D., BEOGRAD																							
Registered office: Kneza Milosa 5, Belgrade																							

**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			
	II. NET LOSS (ADP 1065)	2002		26594	8684
	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		143996	
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) $\geq 0$	2019			
	II. OTHER GROSS COMPREHENSIVE LOSS (2004 + 2006 + 2008 + 2010 + 2012 + 2014 + 2016 + 2018) - (2003 + 2005 + 2007 + 2009 + 2011 + 2013 + 2015 + 2017) $\geq 0$	2020		143996	
	III. TAX ON OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	2021			
	IV. NET OTHER COMPREHENSIVE PROFIT(2019 - 2020 - 2021) $\geq 0$	2022			
	V. NET OTHER COMPREHENSIVE LOSS (2020 - 2019 + 2021) $\geq 0$	2023		143996	
	V. TOTAL NET COMPREHENSIVE RESULT FOR THE PERIOD				
	I. TOTAL NET COMPREHENSIVE RESULT (2001 - 2002 + 2022 - 2023) $\geq 0$	2024			
	II. TOTAL NET COMPREHENSIVE LOSS (2002 - 2001 + 2023 - 2022) $\geq 0$	2025		170590	8684
	G. TOTAL NET COMPREHENSIVE PROFIT OR LOSS (2027 + 2028) = ADP 2024 $\geq 0$ or ADP 2025 $> 0$	2026		0	0
	1. Attributed to majority shareholders	2027			
	2. Attributed to non-controlling shareholders	2028			

In \_\_\_\_\_

Legal representative

on \_\_\_\_\_ 20\_\_\_\_\_

S.P.

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	6	9	3	4	2	1	8	Activity code	5	5	1	0	TIN	1	0	0	2	7	9	5	2	2
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Name: EXCELSIOR A.D., BEOGRAD

Registered office: Kneza Milosa 5, Belgrade

**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
	<b>ASSETS</b>					
00	A. SUBSCRIBED CAPITAL UNPAID	0001				
	B. PERMANENT ASSETS (0003 + 0010 + 0019 + 0024 + 0034)	0002	18	476438	645174	0
01	I. INTANGIBLE ASSETS (0004 + 0005 + 0006 + 0007 + 0008 + 0009)	0003	18	4576	4999	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	18	4576	4999	
013 and part of 019	3. Goodwill	0006				
014 and part 019	4. Other intangible assets	0007				
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	18	471862	640175	0
020, 021 and part 029	1. Land	0011	18	112613	147937	
022 and part 029	2. Buildings	0012	18	346442	474447	
023 and part 029	3. Plant and equipment	0013	18	12634	17618	
024 and part 029	4. Investment immovables	0014				
025 and part 029	5. Other immovables, plant and equipment	0015	18	111	111	
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	18	62	62	
03	III. BIOLOGICAL RESOURCES (0020 + 0021 + 0022 + 0023)	0019		0	0	0
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		0	0	0
040 and part 049	1. Participation in equity of subsidiaries	0025				
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				
part 043, part 044 and part 049	5. Long-term investments in other associated legal entities	0029				
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		29617	49454	0
Class 1	I. INVENTORIES (0045 + 0046 + 0047 + 0048 + 0049 + 0050)	0044	19	493	443	0
10	1. Materials, spare parts, tools and small inventory	0045	19	377	327	
11	2. Work and services in progress	0046				
12	3. Finished products	0047				
13	4. Goods	0048				
14	5. Permanent assets held for sale	0049				
15	6. Advances paid for inventories and services	0050	19	116	116	
20	II. RECEIVABLES FROM SALES (0052 + 0053 + 0054 + 0055 + 0056 + 0057 + 0058)	0051	20	2764	5456	0
200 and part 209	1. Domestic trade receivables - parent companies and subsidiaries	0052	20	705		
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	20		706	
203 and part 209	4. Foreign trade receivables - other related parties	0055	20	230	230	
204 and part 209	5. Trade receivables - domestic	0056	20	1149	2408	
205 and part 209	6. Trade receivables - foreign	0057	20	680	2112	
206 and part 209	7. Other receivables from sales	0058				
21	III. RECEIVABLES FROM SPECIFIC BUSINESS OPERATIONS	0059				
22	IV. OTHER RECEIVABLES	0060	21	4909	8871	
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		0	0	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				
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				
24	VII. CASH AND CASH EQUIVALENTS	0068	22	18277	33964	
27	VIII. VALUE ADDED TAX	0069	23	73	155	
28 except 288	IX. ACCRUED EXPENSES	0070		3101	565	
	D. TOTAL ASSETS = OPERATING ASSETS (0001 + 0002 + 0042 + 0043)	0071		506055	694628	0
88	Đ. OFF-BALANCE SHEET ASSETS	0072				
	EQUITY AND LIABILITIES					
	A. EQUITY (0402 + 0411 - 0412 + 0413 + 0414 + 0415 - 0416 + 0417 + 0420 - 0421) ≥ 0 = (0071 - 0424 - 0441 - 0442)	0401	24	207466	378055	
30	I. CAPITAL (0403 + 0404 + 0405 + 0406 + 0407 + 0408 + 0409 + 0410)	0402	24	63859	63859	0
300	1. Share capital	0403	24	63859	63859	
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				
32	IV. RESERVES	0413				
330	V. REVALUATION RESERVES FROM INTANGIBLE ASSETS, IMMOVABLES, PLANTS AND EQUIPMENT	0414	24	267960	411955	
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		0	0	0
340	1. Retained earnings from previous years	0418				
341	2. Retained earnings for the current year	0419				
	IX. PARTICIPATION WITHOUT CONTROL RIGHTS	0420				
35	X. LOSS (0422 + 0423)	0421	24	124353	97759	0
350	1. Loss from previous years	0422	24	97759	89075	
351	2. Loss for the current year	0423	24	26594	8684	
	B. LONG-TERM PROVISIONS AND LIABILITIES (0425 + 0432)	0424		251087	121728	0
40	I. LONG-TERM PROVISIONS (0426 + 0427 + 0428 + 0429 + 0430 + 0431)	0425	25	1195	1195	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				
405	5. Provisions for litigation expenses	0430	25	525	525	
402 and 409	6. Other long-term provisions	0431	25	670	670	
41	II. LONG-TERM LIABILITIES (0433 + 0434 + 0435 + 0436 + 0437 + 0438 + 0439 + 0440)	0432	26	249892	120533	0
410	1. Debts convertible into equity	0433				
411	2. Liabilities to parent companies and subsidiaries	0434	26	249892		
412	3. Liabilities to other related parties	0435	26		120533	
413	4. Liabilities for long-term securities	0436				
414	5. Long-term loans - domestic	0437				
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				
498	V. DEFERRED TAX LIABILITIES	0441	17 c	29993	53562	
from 42 to 49, (except 498)	G. SHORT-TERM LIABILITIES (0443 + 0450 + 0451 + 0459 + 0460 + 0461 + 0462)	0442		17509	141283	0
42	I. SHORT-TERM FINANCIAL LIABILITIES (0444 + 0445 + 0446 + 0447 + 0448 + 0449)	0443	27	0	129386	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			129386	
430	II. ADVANCES, DEPOSITS AND GUARANTEES	0450			2093	
43 except 430	III. OPERATING LIABILITIES (0452 + 0453 + 0454 + 0455 + 0456 + 0457 + 0458)	0451	28	4829	6255	0
431	1. Trade payables - domestic parent company and subsidiaries	0452	28	131		
432	2. Trade payables - foreign parent company and subsidiaries	0453				
433	3. Trade payables - other domestic related parties	0454	28		290	
434	4. Trade payables - other foreign related parties	0455				
435	5. Trade payables - domestic	0456	28	2272	3296	
436	6. Trade payables - foreign	0457	28	895	1100	
439	7. Other account trade payables	0458	28	1531	1569	
44, 45 and 46	IV. OTHER SHORT-TERM LIABILITIES	0459	28	11683	2196	
47	V. LIABILITIES FOR VALUE ADDED TAX	0460	23	229	722	
48	VI. LIABILITIES FOR OTHER TAXES, CONTRIBUTIONS AND OTHER DUTIES	0461			631	
49 except 498	VII. DEFERRED EXPENSES	0462		768		

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) $\geq 0 = (0441 + 0424 + 0442 - 0071) \geq 0$	0463				
	Đ. TOTAL EQUITY AND LIABILITIES (0424 + 0442 + 0441 + 0401 - 0463) $\geq 0$	0464		506055	694628	
89	E. OFF-BALANCE SHEET LIABILITIES	0465				

In \_\_\_\_\_

Legal representative

on \_\_\_\_\_ 20\_\_

S.P.

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

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

To be filled by legal entity - entrepreneur

Registration number 0 6 9 3 4 2 1 8 Activity code 5 5 1 0 TIN 1 0 0 2 7 9 5 2 2  
 Name: EXCELSIOR A.D., BEOGRAD  
 Registered office: Kneza Milosa 5, Belgrade

**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	77311	4020		4038	
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	77311	4024		4042	
4.	Changes in the previous year						
	a) turnover on the debit side of the account	4007	13452	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	63859	4028		4046	
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	63859	4032		4050	
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	63859	4036		4054	

No	DESCRIPTION	Components of capital					
		ADP	35 Loss	ADP	047 and 237 Treasury shares	ADP	34 Retained earnings
	2		6		7		8
1.	<b>Opening balance of the prior year as at 1 January _____</b>						
	a) debit balance account	4055	89075	4073	13452	4091	
	b) credit balance account	4056		4074		4092	
2.	<b>Correction of material important mistakes and changes of accounting policies</b>						
	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.	<b>Corrected opening balance of the prior year as at 1 January _____</b>						
	a) corrected debit balance of the account (1a + 2a - 26) ≥ 0	4059	89075	4077	13452	4095	
	a) corrected credit balance of the account (1b - 2a + 26) ≥ 0	4060		4078		4096	
4.	<b>Changes in the previous _____ year</b>						
	a) turnover on the debit side of the account	4061	8684	4079		4097	
	b) turnover on the credit side of the account	4062		4080	13452	4098	
5.	<b>State at the end of the previous year as at 31 December _____</b>						
	a) account's debit balance (3a + 4a - 4b) ≥ 0	4063	97759	4081		4099	
	b) account's credit balance (3b - 4a + 4b) ≥ 0	4064		4082		4100	
6.	<b>Correction of material important mistakes and changes of accounting policies</b>						
	a) corrections on the account's debit side	4065		4083		4101	
	b) corrections on the account's credit side	4066		4084		4102	
7.	<b>Corrected opening balance of the current year as at 1 January _____</b>						
	a) corrected debit balance of the account (5a + 6a - 6b) ≥ 0	4067	97759	4085		4103	
	a) corrected credit balance of the account 5b - 6a + 6b) ≥ 0	4068		4086		4104	
8.	<b>Changes in the current _____ year</b>						
	a) turnover on the debit side of the account	4069	26594	4087		4105	
	b) turnover on the credit side of the account	4070		4088		4106	
9.	<b>State at the end of the current year as at 31 December _____</b>						
	a) debit balance of the account (7a + 8a - 8b) ≥ 0	4071	124353	4089		4107	
	b) credit balance of the account (7b - 8a + 8b) ≥ 0	4072		4090		4108	

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	411955	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	411955	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	411955	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	411955	4140		4158	
8.	Changes in the current _____ year						
	a) turnover on the debit side of the account	4123	143995	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	267960	4144		4162	

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.	<b>Opening balance of the prior year as at 1 January _____</b>						
	a) debit balance account	4163		4181		4199	
	b) credit balance account	4164		4182		4200	
2.	<b>Correction of material important mistakes and changes of accounting policies</b>						
	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.	<b>Corrected opening balance of the prior year as at 1 January _____</b>						
	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.	<b>Changes in the previous year _____</b>						
	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.	<b>State at the end of the previous year as at 31 December _____</b>						
	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.	<b>Correction of material important mistakes and changes of accounting policies</b>						
	a) corrections on the account's debit side	4173		4191		4209	
	b) corrections on the account's credit side	4174		4192		4210	
7.	<b>Corrected opening balance of the current year as at 1 January _____</b>						
	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.	<b>Changes in the current _____ year</b>						
	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.	<b>State at the end of the current year as at 31 December _____</b>						
	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	

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	386739	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	386739	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		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	378055	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	378055	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		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	207466	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	6	9	3	4	2	1	8	Activity code	5	5	1	0	TIN	1	0	0	2	7	9	5	2	2
Name: EXCELSIOR A.D., BEOGRAD																							
Registered office: Kneza Milosa 5, Beograd																							

**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	69318	181777
I. Cash inflows from operating activities (from 1 to 3)			
1. Inflows from sales and prepayments	3002	59557	177332
2. Interests from operating activities	3003		239
3. Other inflows provided by operating activities	3004	9761	4206
II. Cash outflows in operating activities (from 1 to 5)	3005	82405	159465
1. Trade payables and prepayments	3006	40529	86475
2. Salaries, wages and other personal indemnities	3007	34130	54006
3. Interest paid	3008	2183	5596
4. Tax on profit	3009		886
5. Outflows from other public revenues	3010	5563	12502
III. Net cash inflows from operating activities (I-II)	3011		22312
IV. Net cash outflows from operating activities (II-I)	3012	13087	
B. CASH FLOWS FROM INVESTING ACTIVITIES	3013	0	19384
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		19384
4. Interests from investing activities	3017		
5. Inflows from dividends	3018		
II. Cash outflows from investing activities (from 1 to 3)	3019	2128	17457



ITEM	ADP	Amount	
		Current year	Previous year
	2	3	2
1. Purchase of shares and stakes (net outflows)	3020		
2. Purchase of intangible assets, immovables, plants, equipment and biological resources	3021	2128	17457
3. Other financial investments (net payment)	3022		
III. Net cash inflows from investing activities (I-II)	3023		1927
IV. Net cash outflows from investing activities (II-I)	3024	2128	
V. CASH FLOWS FROM FINANCING ACTIVITIES	3025	0	21771
I. Cash inflows from financing activities (1 to 5)			
1. Capital increase	3026		
2. Long-term loans (net inflows)	3027		21771
3. Short-term loans (net inflows)	3028		
4. Other long-term liabilities	3029		
5. Other short-term liabilities	3030		
II. Cash outflows from financing activities (from 1 to 6)	3031	0	22415
1. Repurchase of own shares	3032		
2. Long-term loans (outflow)	3033		
3. Short-term loans (outflow)	3034		22415
4. Other liabilities (outflow)	3035		
5. Financial leasing	3036		
6. Dividends paid	3037		
III. Net cash inflows financing activities (I-II)	3038		
IV. Net cash outflows from financing activities (II-I)	3039		644
G. TOTAL CASH INFLOWS (3001 + 3013 + 3025)	3040	69318	222932
D. TOTAL CASH OUTFLOWS (3005 + 3019 + 3031)	3041	84533	199337
Đ. NET CASH INFLOWS (3040 - 3041)	3042		23595
E. NET CASH OUTFLOWS (3041 - 3040)	3043	15215	
Ž. CASH AT THE BEGINNING OF THE ACCOUNTING PERIOD	3044	33964	10797
Z. POSITIVE EFFECTS ON EXCHANGE RATE CHANGES FROM CASH CALCULATION	3045		170
I. NEGATIVE EFFECTS ON EXCHANGE RATE CHANGES FROM CASH CALCULATION	3046	472	598
J. CASH AT THE END OF THE ACCOUNTING PERIOD (3042 - 3043 + 3044 + 3045 - 3046)	3047	18277	33964

In _____ on _____ 20____	Legal representative  S.P.
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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. INCORPORATION AND ACTIVITY**

The Shareholding Company for Hotel, Hospitality and Tourist Services *Excelsior a.d., Beograd*, (hereinafter: the "Company") was founded on November 2, 1993.

Under the Agreement on the Acquisition of Socially-Owned Capital via Public Auction dated February 27, 2008, 70% of the socially-owned capital was sold to the entity "Eteria Ellinikon Ksenodohion Lampsa AE", Athens, Greece.

On April 24, 2017, the Company executed the Management Agreement with Orbis S.A., Warsaw, Poland, a licensed agent of Accor Group, France in Serbia. Under the said Agreement, Orbis S.A., Orbis S.A., Warsaw, Poland undertook to manage all the hotel activities under the protected Mercure brand and in conformity with all the brand standards for a period of ten years, commencing on September 1, 2017, when the hotel was reopened under the new name of the Mercure Belgrade Excelsior Hotel.

The primary business activity of the Company includes hotel, accommodation and tourist services. The Company's registered office is in Belgrade, at no. 5, Kneza Milosa Street.

The Company's tax identification number (fiscal code) is 100279522, and its corporate ID is 06934218.

Beogradsko Mešovito Preduzeće a.d. purchased all shares of Excelsior a.d as of January 8, 2020.

As of December 25, 2020 the shares of Excelsior a.d was withdrawn from the Belgrade Stock Exchange listing.

As of December 31, 2020 the Company had 32 employees (December 31, 2019: 39 employees)).

**2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS AND ACCOUNTING CONVENTION****2.1. Basis of Preparation and Presentation of Financial Statements**

Legal entities and entrepreneurs incorporated in the Republic of Serbia are required to maintain their books of account, to recognize and value assets and liabilities, income and expenses, and to 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 public shareholding entity up to December 2020, the Company is required 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.

The Ministry's 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") was enacted to adopt 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 shall be applied to the financial statements prepared as of December 31, 2014.

**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 Financial Statements (Continued)**

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 prepared these financial statements in accordance with the requirements of the Rulebook on Chart of Accounts and content of accounts in the chart of accounts for companies, cooperatives and entrepreneurs (Official Gazette of the Republic of Serbia No. 95/2014) and the format prescribed by the Rulebook on Content and Form of Financial Statements for Companies, Cooperatives and Entrepreneurs (Official Gazette of RS, No. 95/2014 and 144/2014), which deviates from the format defined in IAS 1 (revised) - "Presentation of financial statements" and IAS 7 - "Cash Flows Statement".
- 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 official adopted in the Republic of Serbia.
- 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.

The financial statements have been prepared under the historical cost principle, unless otherwise stated in the accounting policies set out below.

**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 Financial Statements (Continued)**

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 for issue by the Company's management on June 22, 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.

Classification and measurement: IFRS 9 include 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 classifies 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 recognize 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;
- Recognize 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.

**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)****2.3. 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.

**2.4. Going Concern**

Ability of the Company to operate on a going concern basis depends on a continued financial support of the majority shareholder. The Company's management expects that the Company will continue to generate stable revenues and reduce costs in the forthcoming period, or that the increase in costs will be less than the increase in revenues. Furthermore, the Company expects that the Management Agreement executed with Orbis S.A., Warsaw, Poland, which will manage all the hotel activities under the protected brand Mercure, will contribute to the business stabilization and profitable operations. Accordingly, these financial statements have been prepared on a going concern basis, assuming that the Company will continue to operate in the foreseeable future.

The Company used the Government grants for mitigate the effects of a pandemic COVID-19, but still there is uncertainty regarding the future effects on the Company's operations. The Company's net loss for FY 2020 amounts RSD 26,594 thousand (2019: RSD 8,684 thousand) and accumulated losses as of December 31, 2020 amounts RSD 124,353 thousand (including net loss for the current year).

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**

The Company consistently applied the following accounting policies in all periods presented in these financial statements.

**3.1. Income***Income from Service Sales and Rendering*

Income from service sales and rendering as well as revenues from sales of products and goods is recognized when the substantial risk and rewards associated with the right of ownership are transferred to the customer.

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

*Finance Income*

Finance income includes interest income, foreign exchange gains and other finance income.

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

*Other Income*

Other income includes: reversal of long-term provisions, surpluses and other income.

**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, fuel and energy, costs of gross wages and salaries, depreciation and amortization charge and services rendered by third parties. Operating expenses also 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 costs of damages caused by hotel guests and miscellaneous other expenses.

**3.3. Foreign Currency 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. Non-monetary items are translated into dinars at the official middle exchange rate effective as at the transaction 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 items of finance income or expenses.

Receivables with a currency clause index are translated into dinars at the middle exchange rate of the National Bank of Serbia effective as at the balance sheet date. Foreign exchange positive or negative effects arising thereof are stated in the income statement, as gains or losses on the risk hedges within other income or 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.

*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.

**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)**

In the Company's assessment, the amount of liabilities for retirement benefits as of December 31, 2020 was provided for the aforesaid liabilities as at the reporting date.

*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.

In the Company's assessment, the amount of liabilities for unused annual leaves as of December 31, 2020 was immaterial. Accordingly, the Company did not provide for the aforesaid liabilities as at the reporting date.

**3.5. Income Taxes***Current Income Tax*

Current income tax is the amount calculated by applying the prescribed tax rate of 15% (2019: 15%) on the taxable income determined within the tax statement and reported in the annual corporate income tax return. The taxable base 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 at December 31, 2020, deferred tax assets and liabilities were provided at the rate of 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 deferred taxes are also recognized under equity.

**3.6. Intangible Assets**

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

Intangible assets are recognized and amortized as such if they meet the requirements prescribed by IAS 38 "Intangible Assets" and have useful economic lives over a year. Unless an intangible asset fulfills the aforesaid criteria, it is recognized as an expense of the period in which the related investment was made.

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.

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

**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**

Items of property and equipment are initially recognized at cost or purchase price and carried at cost less allowance for accumulated depreciation and impairment losses, if any. Cost includes any costs directly attributable to the acquired assets.

Items of property and equipment are subsequently stated at revalued amounts. A revalued amount is an asset's fair value at the revaluation date decreased by any subsequent accumulated depreciation and aggregate impairment losses.

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.

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. Depreciation of assets activated during the year commences upon the asset placement in use, i.e., in the month following the month in which the respective asset became available for its intended use.

The applied useful lives and depreciation rates in the current and previous accounting period are:

<b>Asset</b>	<b>Useful life (years) 2020</b>	<b>Useful life (years) 2019</b>
Buildings	33	33
Computer equipment	4.16	4.16
Motor vehicles	6.6	6.6
Furniture and other equipment	6.6	6.6

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 17(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 discount rate prior to taxation 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, except in case of land and buildings that are not used as investment property which is stated at revalued amount in which case impairment loss is presented as a loss on revaluation of assets.



**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)****3.8. Impairment of Assets (Continued)**

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.

A reversal of an impairment loss is recognized as income immediately, unless the respective asset is carried at a revalued amount, in which instance, the reversal of the impairment loss is treated as a revaluation increase.

As of December 31, 2020, in the assessment of the Company's management, an impairment on land and building in the amount of RSD 143,995 thousand was recognized. Impairment loss is presented as a loss on revaluation of assets.

**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 material is comprised of the amount billed by suppliers and is determined using the weighted-average cost method.

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

**3.10. 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 as from January 1, 2020, financial assets will be classified into the following categories:

1. financial assets at amortized cost (AC),
2. financial assets at fair value through the other comprehensive income (FVTOCI), and
3. financial assets 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).

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.

**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)****3.10. Financial Instruments (Continued)*****Financial Assets (Continued)***

The Company's business model reflects the manner in which the Company manages groups of its financial assets in order to achieve a certain business goal. This analysis entails judgments made based on all the relevant evidence. 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 criteria 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 assets 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.

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.

**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)****3.10. Financial Instruments (Continued)*****Financial Assets (Continued)*****(a) Accounts Receivable and Other Receivables (Continued)**

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.

**(b) 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 finance lease liabilities, trade payables and other operating liabilities.

Financial liabilities are initially recognized at 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.

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.

**3.11. Provisions**

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

**NOTES TO THE FINANCIAL STATEMENTS****December 31, 2020***All amounts expressed in thousands of RSD, unless otherwise stated***4. SUMMARY OF THE KEY ACCOUNTING ESTIMATES**

Presentation of the financial statements requires the Company's management to make the 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 date of preparation of the financial statements, and the 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 estimations, uncertainties 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 and amortization, as well as depreciation and amortization rates are based on the economic useful lives of buildings, equipment and intangible assets. At least once a year, the Company assesses the economic useful lives based on the current estimates.

In addition, due to the significance of the non-current assets within the total assets of the Company, any change in the aforesaid assumptions may result in materially significant effects on the financial position and performance of the Company.

**4.2. Allowance for Impairment of Receivables**

Impairment allowance of 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. The management believes that no additional impairment allowance is required in excess of the allowance already recognized in these financial statements.

**4.3. Provisions for Litigations**

Generally, provisions are highly judgmental. The Company estimates the likelihood of unfavorable events happening 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 assessments.

**4.4. Fair Value**

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 have been 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.

**NOTES TO THE FINANCIAL STATEMENTS****December 31, 2020***All amounts expressed in thousands of RSD, unless otherwise stated***4. SUMMARY OF THE KEY ACCOUNTING ESTIMATES (Continued)****4.4. Fair Value (Continued)***Fair value of tangible assets*

Fair values of tangible assets are estimated by qualified valuers. In the absence of current prices in an active market for similar properties, the Company considers information from a variety of sources, including:

- a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
- c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the management's plans and expectations regarding the market fluctuations, such as prices, number of overnight stays, average income per room, occupancy and the like, using discount rates that reflect current market assessments of the uncertainty as to the amount and timing of the cash flows.

The Company's management believes that the net carrying values correspond to the fair values of its property as of the balance sheet date.

**5. SALES OF PRODUCTS AND SERVICES**

	<b>Year Ended December 31, 2020</b>	<b>2019</b>
Income from sales to a related party (Note 29)	-	4,459
Income from sales to a parent company (Note 29)	2,351	-
Income from accommodation	32,629	110,555
Income from food	7,479	21,071
Other	5,319	9,623
	<u>47,778</u>	<u>145,708</u>

**6. INCOME FROM PREMIUMS, SUBSIDIES AND GRANTS**

	<b>Year Ended December 31, 2020</b>	<b>2019</b>
Government grant to mitigate the effects of a pandemic COVID-19	8,740	-
	<u>8,740</u>	<u>-</u>

**7. OTHER OPERATING INCOME**

	<b>Year Ended December 31, 2020</b>	<b>2019</b>
Rental income	2,235	1,901
Other operating income	-	6,238
	<u>2,235</u>	<u>8,139</u>

**NOTES TO THE FINANCIAL STATEMENTS****December 31, 2020***All amounts expressed in thousands of RSD, unless otherwise stated***8. COST OF MATERIALS**

	Year Ended December 31, 2020	2019
Food, beverages and other restaurant goods	3,795	9,681
Maintenance materials	1,789	5,160
Write-off of tools and fixtures	72	1,937
	<u>5,656</u>	<u>16,778</u>

**9. COSTS OF FUEL AND ENERGY**

	Year Ended December 31, 2020	2019
Costs of electricity	3,846	5,236
Costs of heating	2,777	2,671
Costs of fuel	71	84
	<u>6,694</u>	<u>7,991</u>

**10. STAFF COSTS**

	Year Ended December 31, 2020	2019
Employee gross salaries	29,280	45,050
Payroll taxes and contributions charged to the employer	4,425	5,776
Considerations payable per service contracts	37	1,949
Other staff costs	1,379	2,557
	<u>35,121</u>	<u>55,332</u>

**11. COST OF PRODUCTION SERVICES**

	Year Ended December 31, 2020	2019
Telecommunications, postage and transportation services	1,285	2,125
Maintenance	2,075	8,343
Rental costs	755	1,706
Marketing and advertising	59	369
Utilities	786	969
Laundry (Note 29(b))	884	2,491
Cost of other services	168	297
	<u>6,012</u>	<u>16,300</u>

**12. DEPRECIATION/AMORTIZATION CHARGE**

	Year Ended December 31, 2020	2019
Depreciation/amortization charge:		
- property and equipment (Note 18)	26,152	26,531
- intangible investments (Note 18)	717	674
	<u>26,869</u>	<u>27,205</u>

**NOTES TO THE FINANCIAL STATEMENTS****December 31, 2020***All amounts expressed in thousands of RSD, unless otherwise stated***13. NON-MATERIAL COSTS**

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Consultant services	1,365	2,703
Security services	1,496	1,269
IT network maintenance	868	778
Entertainment	733	1,099
Insurance premiums	2,944	2,087
Bank charges	1,134	2,860
Reservation center	1,410	4,234
Membership fees	129	225
Taxes and contributions payable	3,201	3,198
Fees payable to Orbis S.A. under the Management Agreement (Note 29(b)):		
- trademark fees	332	1,137
- base management fees	451	1,475
- marketing fees	166	569
- management incentive fees	280	2,319
- distribution fees	831	2,843
- "Le Club" fees	392	998
Other non-material costs	3,444	3,686
	<u>19,176</u>	<u>31,480</u>

**14. FINANCE INCOME AND EXPENSES****Finance Income**

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Interest income (from third parties)	-	239
Other finance income	42	46
Foreign exchange gains and positive currency clause effects (from third parties)	42	1,007
	<u>84</u>	<u>1,292</u>

**Finance Expenses**

	<b>Year Ended December 31,</b>	
	<b>2020</b>	<b>2019</b>
Interest expenses:		
- per borrowings, related parties	-	7,654
- per borrowings, parent company	8,677	
- per borrowings, third parties	-	1,412
- other interest expenses	1	-
	<u>8,678</u>	<u>9,066</u>
Foreign exchange losses and negative currency clause effects (to third parties)	74	358
	<u>8,752</u>	<u>9,424</u>

**NOTES TO THE FINANCIAL STATEMENTS****December 31, 2020***All amounts expressed in thousands of RSD, unless otherwise stated***15. OTHER INCOME AND OTHER EXPENSES****Other Income**

	Year Ended December 31, 2020	2019
Surpluses	-	-
Other income, elsewhere not specified	97	6
	<u>97</u>	<u>6</u>

**Other Expenses**

	Year Ended December 31, 2020	2019
Shortages of materials	53	432
Other expenses, elsewhere not specified	16	62
	<u>69</u>	<u>494</u>

**16. EARNINGS PER SHARE**

	Year Ended December 31, 2020	2019
Net loss	(26.594)	(8.684)
Weighted average number of shares outstanding	63.859	63.859
Basic earnings per share (in RSD)	<u>(416,44)</u>	<u>(135,99)</u>

In the official form of the income statement of the Serbian Business Registers Agency, it is not possible to present the Company's earnings per share in accordance with IAS 33 – *Earnings per Share*, since those amounts are below RSD 1,000.

**17. INCOME TAXES****a) Components of income taxes**

	Year Ended December 31, 2020	2019
Current income tax expense	-	(631)
Deferred tax benefits	23,571	2,026
	<u>23,571</u>	<u>1,395</u>

**b) Numerical reconciliation between tax expense and the product of the accounting result multiplied by the statutory tax rate**

	2020	2019
Loss before tax	(50,165)	(10,079)
Income tax at the statutory rate of 15%	(7,525)	(1,512)
Tax effects of expenses not recognized for tax purposes	(16,046)	117
	<u>(23,571)</u>	<u>(1,395)</u>



## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated

## 17. INCOME TAXES (Continued)

## c) Deferred tax liabilities

Deferred tax liabilities of RSD 29,993 thousand as of December 31, 2020 (31 December 2019: RSD 53,562 thousand) relate to the temporary difference between the amount at which property, equipment and intangible assets are recognized for the tax statement purposes and the carrying amounts of these assets.

Movements on the net deferred tax liabilities were as follows:

	2020	2019
Balance as at January 1	53,562	55,590
Recognized in the other comprehensive income		
- Impairment of land and buildings	(23,395)	-
Recognized in the income statement		
- temporary differences on property, equipment and intangible assets	(175)	(2,026)
Other	-	(2)
Balance as at December 31	<u>29,992</u>	<u>53,562</u>

## 18. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

Movements on property, equipment and intangible assets are provided in the following table:

	Land	Buildings	Equipment and Other Assets	Investments in Progress; Advances Paid	Total	Intangible Assets
<b>Cost</b>						
Balance at January 1, 2019	147,937	681,272	53,802	7,871	890,882	6,475
Additions	-	10,755	6,426	-	17,181	648
Closing of advance payment	-	-	-	(7,809)	(7,809)	-
Balance at December 31, 2019	<u>147,937</u>	<u>692,027</u>	<u>60,228</u>	<u>62</u>	<u>900,254</u>	<u>7,123</u>
Balance at January 1, 2020	147,937	692,027	60,228	62	900,254	7,121
Additions	-	1,464	369	-	1,833	294
Balance at December 31, 2020	<u>147,937</u>	<u>693,491</u>	<u>60,597</u>	<u>62</u>	<u>902,087</u>	<u>7,415</u>
<b>Accumulated Depreciation</b>						
Balance at January 1, 2019	-	196,823	36,720	-	233,548	1,450
Charge for the year (Note 12)	-	20,757	5,744	-	26,531	674
Balance at December 31, 2019	<u>-</u>	<u>217,580</u>	<u>42,499</u>	<u>-</u>	<u>260,079</u>	<u>2,124</u>
Balance at January 1, 2020	-	217,580	42,499	-	260,079	2,122
Impairment	35,324	108,671	-	-	143,995	-
Charge for the year (Note 12)	-	20,798	5,354	-	26,152	717
Balance at December 31, 2020	<u>35,324</u>	<u>347,049</u>	<u>47,853</u>	<u>-</u>	<u>430,226</u>	<u>2,839</u>
<b>Net book value</b>						
- December 31, 2020	<u>112,613</u>	<u>346,442</u>	<u>12,744</u>	<u>62</u>	<u>471,861</u>	<u>4,576</u>
- December 31, 2019	<u>147,937</u>	<u>474,447</u>	<u>17,729</u>	<u>62</u>	<u>640,175</u>	<u>4,999</u>

**NOTES TO THE FINANCIAL STATEMENTS****December 31, 2020***All amounts expressed in thousands of RSD, unless otherwise stated***18. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS (Continued)**

The table below presents the values of the Company's land and building properties that would have been stated in the financial statements were they measured at cost:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Land	242	242
Buildings*	250,917	257,472
	<u>251,159</u>	<u>257,724</u>

*\*The presented value of the Company's land and buildings represents their tax-purpose value that approximates the cost thereof less accumulated depreciation.*

In accordance with the requirements of IAS 36 – "Impairment of Assets", the Company's management assessed the indications of impairment of land and buildings by considering inputs from both external and internal sources of information, including but not limited to:

- market interest rate movements,
- market capitalization movements,
- sensitivity analysis, and
- comparison of operating results (net cash flow, operating profit, hotel occupancy rates, etc.)

Based on the aforesaid analyses, management of the Company concluded that there were indications of impairment as of December 31, 2020. The Company performed impairment of land in the amount of RSD 35,324 thousand and impairment of building in the amount of RSD 108,671 thousand. In the both cases, impairment was charged to revaluation reserves (Note 24).

**19. INVENTORIES**

	<b>December 31, 2020</b>	<b>December 31 2019</b>
Materials	314	327
Tools and fixtures	63	-
	<u>377</u>	<u>327</u>
Advances paid for inventories	116	116
	<u>493</u>	<u>443</u>

**NOTES TO THE FINANCIAL STATEMENTS****December 31, 2020***All amounts expressed in thousands of RSD, unless otherwise stated***20. TRADE RECEIVABLES**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Trade receivables, domestic		
- related parties (Note 29(a))	-	936
- parent company (Note 29(a))	705	-
- third parties	1,149	2,408
Trade receivables, foreign	<u>2,142</u>	<u>2,342</u>
	3,996	5,456
Allowance for impairment of foreign trade receivables	<u>1,232</u>	-
	<u>2,764</u>	<u>5,456</u>

**21. OTHER RECEIVABLES**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Receivables from employees	85	-
Receivables for prepaid income tax	2,607	3,236
Other current receivables	<u>2,217</u>	<u>5,635</u>
	<u>4,909</u>	<u>8,871</u>

**22. CASH AND CASH EQUIVALENTS**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Current RSD account balances	7,093	10,720
Foreign currency account balances	<u>11,184</u>	<u>23,244</u>
	<u>18,277</u>	<u>33,964</u>

**23. VALUE ADDED TAX RECEIVABLES AND LIABILITIES**

As at December 31, 2020, the Company presented receivables for the value added tax paid upon import of goods in the amount of RSD 73 thousand (December 31, 2019: RSD 155 thousand) and liabilities as per the difference between the output and input value added tax amounts of RSD 229 thousand (December 31, 2019: RSD 722 thousand).

**24. EQUITY AND REVALUATION RESERVES**

The share capital recorded in the Company's books as a whole relates to ordinary (common stock) shares.

As at December 31, 2020, the share capital comprised 63.859 ordinary shares, with individual par value of RSD 1,000. All shares issued are fully paid in.

The majority owner of the Company is BMP a.d. Novi Beograd with the 100% ownership and vote rights.

The Company's shareholder structure at December 31, 2020 was as follows:

<b>Shareholder</b>	<b>Number of shares</b>	<b>RSD '000</b>	<b>%</b>
BMP a.d. Novi Beograd	<u>63,859</u>	<u>63,859</u>	100,00%
	<u>63,859</u>	<u>63,859</u>	100,00%

**NOTES TO THE FINANCIAL STATEMENTS****December 31, 2020***All amounts expressed in thousands of RSD, unless otherwise stated***24. EQUITY AND REVALUATION RESERVES (Continued)**

The Company's shareholder structure at December 31, 2019 was as follows:

<u>Shareholder</u>	<u>Number of shares</u>	<u>RSD '000</u>	<u>%</u>
Lampsa AE Athens, Greece	63.859	63.859	100 %
	<u>63.859</u>	<u>63.859</u>	<u>100 %</u>

The Company's revaluation reserves in the amount of RSD 267,960 thousand relate to revaluation reserves arising from the appraisal of land, property and equipment.

Changes on equity accounts during 2020 and 2019 are presented as follows:

	<u>Share capital</u>	<u>Treasury shares purchased</u>	<u>Revaluation reserves</u>	<u>Loss</u>	<u>Total</u>
Balance at January 1, 2019	77,311	(13,452)	411,955	(89,075)	386,739
Cancellation of repurchased treasury shares	(13,452)	13,452	-	-	-
Net loss for the year	-	-	-	(8,684)	(8,684)
Balance at December 31, 2019	<u>63,859</u>	<u>-</u>	<u>411,955</u>	<u>(97,759)</u>	<u>378,055</u>
Balance at January 1, 2020	63,859	-	411,955	(97,759)	378,055
Impairment of assets	-	-	(143,955)	-	(143,995)
Net loss for the year	-	-	-	(26,594)	(26,594)
Balance at December 31, 2020	<u>63,859</u>	<u>-</u>	<u>267,960</u>	<u>(124,353)</u>	<u>207,466</u>

**25. LONG-TERM PROVISIONS**

As of December 31, 2020 the Company stated provisions for litigations in the amount of RSD 525 thousand (Note 31) and provisions for retirement benefits in the amount of RSD 670 thousand. During 2020, the Company did not make additional provisions on these grounds.

**26. LONG-TERM LIABILITIES**

	<u>EUR</u>	<u>December 31, 2020</u>	<u>RSD '000 December 31, 2019</u>
BMP a.d., Beograd (Note 29(a))	1,100,288	129,372	-
BMP a.d., Beograd (Note 29(a))	<u>1,024,966</u>	<u>120,520</u>	<u>120,533</u>
		<u>249,892</u>	<u>120,533</u>

**NOTES TO THE FINANCIAL STATEMENTS****December 31, 2020***All amounts expressed in thousands of RSD, unless otherwise stated***26. LONG-TERM LIABILITIES (Continued)**

Long-term loans from a parent company amounting to RSD 249,892 thousand net (EUR 2,125,254) as of December 31, 2020 relate to:

- a long-term loan in the amount of EUR 1.024.966 that BMP a.d., Beograd approved to the Company with a repayment period until April 1, 2024, at an interest rate of 3.42% per annum. The purpose of the loan is early repayment of loans due to commercial banks. As collateral, the Company registered a mortgage lien over the property on cadastral lot 4939 as well as 10 blank promissory notes.
- A long-term loan of EUR 1,100.288 that BMP a.d., Beograd approved to the Company with a repayment period until April 1, 2022 at an interest rate of 3.42% per annum. The purpose of the loan is the purchase of shares from non-consenting shareholders and withdrawal of shares of a related party from the Belgrade Stock Exchange. As collateral, the Company provided a corporate guarantee issued on its behalf by ETERIA ELLINIKON KSENODOHION LAMPSEA AE, Greece. The aforementioned borrowings were recorded in 2019 within short-term financial liabilities (Note 27).

**27. SHORT-TERM FINANCIAL LIABILITIES**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Current portion of long-term borrowings (Notes 26 and 29(a))	-	129,386
	-	129,386

**28. TRADE PAYABLES**

	<b>December 31, 2020</b>	<b>In thousand RSD December 31, 2019</b>
Trade payables:		
- other domestic related parties (Note 29(a))	-	290
- other domestic parent company (Note 29(a))	131	-
- domestic	2,272	3,296
- foreign	895	1,100
Other accounts payable	1,531	1,569
	4,829	6,255

**29. RELATED PARTY DISCLOSURES**

In its regular course of business, the Company enters into transactions with its related parties. The transactions between the Company and its related parties are governed by relevant contracts and performed at arm's length.

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated

## 29. RELATED PARTY DISCLOSURES (Continued)

## 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
<b>Trade receivables (Note 20)</b>		
- BMP a.d., Beograd	705	936
<b>Total receivables</b>	<b>705</b>	<b>936</b>
<b>Trade payables (Note 28)</b>		
- BMP a.d., Beograd	131	290
<b>Borrowings (Notes 26 and 27)</b>		
- BMP a.d., Beograd	249,892	249,919
<b>Total liabilities</b>	<b>250,023</b>	<b>250,209</b>
<b>Liabilities, net</b>	<b>249,318</b>	<b>(249,273)</b>

## b) Income Statement

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

	2020	2019
<b>Sales of products and services (Note 5):</b>		
- BMP a.d., Beograd	2,351	4,459
<b>Total income</b>	<b>2,351</b>	<b>4,459</b>
<b>Costs of production services (Note 11):</b>		
- BMP a.d., Beograd	(884)	(2,491)
<b>Non-material costs:</b>		
- ORBIS S.A. (Note 13)	(2,452)	(9,341)
<b>Finance expenses (Note 14):</b>		
- BMP a.d., Beograd	(8,677)	(7,654)
<b>Total expenses</b>	<b>(12,013)</b>	<b>(19,486)</b>
<b>Expenses, net</b>	<b>(9,662)</b>	<b>(15,027)</b>

## 30. 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 and equity attributable to owners, which include share capital, reserves, retained earnings, as well as accumulated losses.

**NOTES TO THE FINANCIAL STATEMENTS****December 31, 2020***All amounts expressed in thousands of RSD, unless otherwise stated***30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)****Capital Risk Management (Continued)**

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.

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

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Debt a)	258,581	252,115
Cash and cash equivalents	(18,277)	(33,964)
Net debt	<b>240,304</b>	<b>218,151</b>
Equity b)	207,466	378,055
Debt to equity ratio	<b>1.16</b>	<b>0.58</b>

a) Debt is related to long-term borrowings, interest liabilities and cost of financing;

b) Equity includes share capital, reserves.

**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**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>Financial assets</b>		
Trade receivables	2,764	5,456
Other receivables	4,909	8,871
Cash and cash equivalents	18,277	33,964
	<b>25,950</b>	<b>48,291</b>
<b>Financial liabilities</b>		
Long-term borrowings, domestic	249,892	120,533
Current portion of long-term borrowings	-	129,386
Trade payables	4,829	6,255
Other short-term financial liabilities	11,683	2,196
Other liabilities	229	1,353
	<b>266,633</b>	<b>259,723</b>

Basic financial instruments held by the Company comprise cash and cash equivalents, trade receivables and trade payables 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***30. 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 changes in the manner in which the Company alleviates and measures the exposure.

**Foreign Currency Risk**

The Company is exposed to foreign currency risks inherent in cash and cash equivalents, long-term borrowings and trade payables denominated in foreign currency. It 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:

	<b>Assets</b>		<b>Liabilities</b>	
	<b>December 31, 2020</b>	<b>December 31 2019</b>	<b>December 31 2020</b>	<b>December 31 2019</b>
EUR	12,094	25,366	258,581	251,120
	<u>12,094</u>	<u>25,366</u>	<u>258,581</u>	<u>251,120</u>

The Company is sensitive to the movements in the EUR 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 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.

	<b>RSD '000</b>	
	<b>December 31, 2020</b>	<b>December 31, 2019</b>
EUR	24,649	22,575
Impact on the current year's P&L	<u>24,649</u>	<u>22,575</u>



## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated

## 30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

## Market Risk (Continued)

*Interest Rate Risk*

The carrying values of financial assets and liabilities at the end of the period under review and grouped by the level of interest rate risk are presented in the following table:

	December 31, 2020	December 31, 2019
<b>Financial assets</b>		
<i>Non-interest bearing</i>		
Trade receivables	2,764	5,456
Cash and cash equivalents	18,277	33,964
	<u>21,041</u>	<u>39,420</u>
<b>Financial liabilities</b>		
<i>Non-interest bearing</i>		
Trade payables	3,298	4,686
Other short-term financial liabilities	-	2,196
Other liabilities	1,531	1,569
	<u>4,829</u>	<u>8,451</u>
<i>Fixed interest rate</i>		
Long-term borrowings, domestic	249,892	120,533
Current portion of long-term borrowings	-	129,386
	<u>249,892</u>	<u>249,919</u>
	<u><b>254,721</b></u>	<u><b>258,370</b></u>

As at December 31, 2020, the Company was not sensitive to changes in the contractually defined interest rates for non-derivative instruments at the reporting date, as it had neither assets nor liabilities at variable interest rates.

**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 major customers are presented in the following table:

	December 31, 2020	December 31, 2019
Telenor/Cetin	160	151
Travco House	46	598
JacTravel Limited	191	294
BMP a.d, Beograd	705	706
Filippas Group d.o.o.	673	-
Other customers	989	3,707
	<u>2,764</u>	<u>5,456</u>

**NOTES TO THE FINANCIAL STATEMENTS****December 31, 2020***All amounts expressed in thousands of RSD, unless otherwise stated***30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)****Credit Risk (Continued)*****Managing Trade Receivables (Continued)***

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

	<b>Gross Exposure</b>	<b>Impairment Allowance</b>	<b>Net Exposure</b>
Trade receivables, matured, provided for	2,522	1,232	1,290
Trade receivables, not matured	1,474	-	1,474
	<u>3,996</u>	<u>-</u>	<u>2,764</u>

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

	<b>Gross Exposure</b>	<b>Impairment Allowance</b>	<b>Net Exposure</b>
Trade receivables, matured, provided for	1,395	-	1,395
Trade receivables, not matured	4,061	-	4,061
	<u>5,456</u>	<u>-</u>	<u>5,456</u>

***Trade receivables, not matured***

Trade receivables, not matured in the amount of RSD 1,474 thousand as at December 31, 2020 mostly relate to receivables from the sales of services in the last week of 2020. These receivables mainly mature within 8 days from the invoice date, depending on the contractual terms of payment.

***Trade receivables, matured, provided for***

The Company impaired receivables matured amounting to RSD 1,232 thousand as of December 31, 2020. It relates to receivables from Accor SA in connection with the customer loyalty system and vouchers issued to Accor club members. In accordance with the Cooperation Agreement signed with Accor these receivables are non-collectible.

***Managing Trade Payables***

The Company stated trade payables as amounting to RSD 3,298 thousand as of December 31, 2020 (December 31, 2019: RSD 4,686 thousand). Suppliers do not charge default interest against matured liabilities, whereas the Company duly settles trade payables, in accordance with its financial risk management policies in place. The average days payable outstanding in the course of 2020 counted 25 days (2019: 31 day).

**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 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*

### 30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

### Liquidity Risk (Continued)

### Tables of Liquidity and Credit Risk

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

### *Maturities of Financial Assets*

	Within 1 Month	From 1 to 3 Months	3 Months to 1 Year	From 1 to 5 Years	December 31, 2020 Over 5 years	Total
Non-interest bearing	21,041	-	-	-	-	21,041
	<u>21,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,041</u>
	Within 1 Month	From 1 to 3 Months	3 Months to 1 Year	From 1 to 5 Years	December 31, 2019 Over 5 years	Total
Non-interest bearing	39,420	-	-	-	-	39,420
	<u>39,420</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,420</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*

	Within 1 Month	From 1 to 3 Months	3 Months to 1 Year	From 1 to 5 Years	December 31, 2020 Over 5 years	Total
Non-interest bearing	4,829	-	-	-	-	4,829
Fixed interest rate						
- principal	-	-	-	249,892	-	249,892
- interest	-	-	-	8,689	-	8,689
	<u>4,829</u>	<u>-</u>	<u>-</u>	<u>258,851</u>	<u>-</u>	<u>263,410</u>

  

	Within 1 Month	From 1 to 3 Months	3 Months to 1 Year	From 1 to 5 Years	December 31, 2019 Over 5 years	Total
Non-interest bearing	8,451	-	-	-	-	8,451
Fixed interest rate						
- principal	-	-	129,386	120,533	-	249,919
- interest	-	-	1,122	17,820	-	18,942
	<u>8,451</u>	<u>-</u>	<u>130,508</u>	<u>138,353</u>	<u>-</u>	<u>277,312</u>

**NOTES TO THE FINANCIAL STATEMENTS****December 31, 2020***All amounts expressed in thousands of RSD, unless otherwise stated***30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)****Fair Value of Financial Instruments**

The following table provides the carrying values of the Company's financial assets and liabilities and their fair values as of December 31, 2020 and 2019:

	<b>December 31, 2020</b>		<b>December 31, 2019</b>	
	<b>Carrying Value</b>	<b>Fair Value</b>	<b>Carrying Value</b>	<b>Fair Value</b>
<b>Financial assets</b>				
Trade receivables	2,764	2,764	5,456	5,456
Cash and cash equivalents	18,277	18,277	33,964	33,964
	<u>21,041</u>	<u>21,041</u>	<u>39,420</u>	<u>39,420</u>
<b>Financial liabilities</b>				
Long-term borrowings, domestic	249,892	249,892	120,533	120,533
Current portion of long-term borrowings	-	-	129,386	129,386
Other short-term financial liabilities	1,531	1,531	2,196	2,196
Trade payables	3,298	3,298	6,255	6,255
	<u>254,721</u>	<u>254,721</u>	<u>258,370</u>	<u>258,370</u>

*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.

**31. LITIGATION**

As of December 31, 2020, the Company was involved in several legal suits on different grounds. Based on the opinion of the Company's attorneys and the assessment of the management, the Company accrued a liability in the amount of RSD 525 thousand (Note 25).

**32. CONTINGENT LIABILITIES**

Land and building property stated as of December 31, 2020 in the amount of RSD 459,055 thousand are in the Company's ownership based on denationalization of property performed in a prior period. Pursuant to the Agreement on Acquisition of the Socially-Owned Capital executed with the Serbian Privatization Agency, the majority owner is also aware that the Company's assets include nationalized property and agrees to treat such property pursuant to the relevant law provisions. The Company's management holds that the Company will not suffer adverse effects resulting from the regulation of the nationalized property or incur outflows of resources in this respect.

**NOTES TO THE FINANCIAL STATEMENTS****December 31, 2020***All amounts expressed in thousands of RSD, unless otherwise stated***33. EVENT AFTER THE REPORTING PERIOD**

There was no event after the reporting period which needs to be disclosed.

**34. TAXATION RISKS**

The Republic of Serbia tax legislation is subject to varying interpretations and changes occur frequently. The interpretation of tax legislation by 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 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 tax authorities could determine payment of outstanding liabilities in the period of five years from the origination of the liability.

In addition, the Company performs a substantial volume of business transactions with its related parties. In accordance with the tax regulations effective in the Republic of Serbia, the tax statement and the supporting documents, including a report on transfer prices, will be prepared and submitted to the Tax Administration until June 29, 2021.

**35. FOREIGN 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:

	<b>December 31, 2020</b>	<b>RSD December 31 2019</b>
EUR	117,5802	117,5928

# APPENDIX 1

**NOTES TO THE FINANCIAL STATEMENTS****December 31, 2020***All amounts expressed in thousands of RSD, unless otherwise stated***INCOME STATEMENT****Year Ended December 31, 2020****(Thousands of EUR)**

	<b>2020</b>	<b>2019</b>
<b>Operating income</b>		
Sales of product and services to domestic companies and subsidiaries parent market	20	-
Sales of products and services to other related parties in domestic market	-	38
Sales of products and services to domestic customers	367	1,198
Sales of products and services to foreign customers	19	-
Income from premiums, subsidies, grants donations and similar	74	-
Other operating income	19	69
	<u>500</u>	<u>1,305</u>
<b>Operating expenses</b>		
Revenue from undertaking for own purposes	-	1
Cost of materials	(48)	(142)
Cost of fuel and energy	(57)	(68)
Staff costs	(299)	(469)
Cost of production services	(51)	(138)
Depreciation/amortization charge	(229)	(231)
Non-material costs	(163)	(267)
	<u>(846)</u>	<u>(1,315)</u>
<b>Loss from operations</b>	<u>(346)</u>	<u>(10)</u>
<b>Finance income</b>		
Interest income (from third parties)	-	2
Foreign exchange gains and positive currency clause effects (third parties)	1	9
	<u>1</u>	<u>11</u>
<b>Finance expenses</b>		
Finance expenses incurred with parent company and subsidiaries	(74)	-
Finance expenses incurred with other related parties	-	(65)
Interest expenses (to third parties)	-	(12)
Foreign exchange losses and negative currency clause effects (to third parties)	(1)	(3)
	<u>(74)</u>	<u>(80)</u>
<b>Loss from financing activities</b>	<u>(74)</u>	<u>(69)</u>
Losses on value adjustment of other assets carried at fair value through profit and loss	(10)	-
Other income	1	-
Other expenses	(1)	(4)
	<u>(10)</u>	<u>(4)</u>
<b>Loss from continuing operations before taxes</b>	<u>(430)</u>	<u>(83)</u>
Net profit/(losses) from discontinued operations, effects of changes in the accounting policies and prior years' error adjustment	4	(3)
	<u>4</u>	<u>(3)</u>
Current income tax expense	-	(5)
Deferred tax benefits	200	17
	<u>200</u>	<u>17</u>
<b>NET LOSSES FOR THE YEAR</b>	<u><u>(226)</u></u>	<u><u>(74)</u></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

## APPENDIX 2



## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated

## BALANCE SHEET

As of December 31, 2020

(Thousands of EUR)

	December 31, 2020	December 31, 2019
<b>ASSETS</b>		
<b>Non-current assets</b>	<b>4,052</b>	<b>5,487</b>
<i><b>Intangible assets</b></i>		
Concessions, patents, licenses, trademarks, software and other rights	39	43
<i><b>Property, plant and equipment</b></i>	<b>4,013</b>	<b>5,444</b>
Land	958	1,258
Buildings	2,946	4,035
Plant and equipment	107	150
Other property, plant and equipment	1	1
Advances paid for property, plant and equipment	1	1
<b>Current assets</b>	<b>252</b>	<b>421</b>
<i><b>Inventories</b></i>	<b>4</b>	<b>4</b>
Materials, spare parts, small tools and fixtures	3	3
Advances paid for inventories and services	1	1
<i><b>Trade receivables</b></i>	<b>24</b>	<b>46</b>
Domestic – parent companies and subsidiaries	6	-
Domestic – other related parties	-	6
Foreign – other related parties	2	2
Domestic	10	20
Foreign	6	18
Other receivables	42	75
Cash and cash equivalents	155	289
VAT receivable	1	1
Prepayments	26	5
<b>Total assets</b>	<b>4,304</b>	<b>5,907</b>

(Continued)

Translation of the Auditors' Report issued in the Serbian language

Translation of the Company's Financial Statements and Notes to the Financial Statements issued in the Serbian language

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2020

All amounts expressed in thousands of RSD, unless otherwise stated

## BALANCE SHEET (Continued)

As of December 31, 2020

(Thousands of EUR)

	December 31, 2020	December 31, 2019
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>1,764</b>	<b>3,215</b>
Share capital	786	786
Revaluation reserves	3,689	4,914
Prior years' accumulated losses	(827)	(753)
Current year loss	(226)	(74)
Translation reserves	(1,658)	(1,658)
<b>Non-current provisions and liabilities</b>	<b>2,135</b>	<b>1,035</b>
Provisions for retirement and other employee benefits	6	6
Provisions for litigations	4	4
Long-term liabilities to parent and subsidiaries	2,125	-
Long-term liabilities to other related parties	-	1,025
<b>Deferred tax liabilities</b>	<b>255</b>	<b>455</b>
<b>Current liabilities</b>	<b>149</b>	<b>1,201</b>
<b>Short-term financial liabilities</b>		
Other short-term financial liabilities-related parties	-	1,100
Advances, deposits and retainers received	-	18
<b>Trade payables</b>	<b>41</b>	<b>53</b>
Domestic – parent company and subsidiaries	1	-
Domestic – other related parties	-	2
Domestic	19	28
Foreign	8	9
Other	13	13
Other current liabilities	99	19
Value added tax payable	2	6
Other taxes, contributions and duties payable	-	5
Accruals	7	-
<b>Total equity and liabilities</b>	<b>4,304</b>	<b>5,907</b>

**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, 2017 and December 31, 2016 was translated using the historical exchange rate: 81.2203
- Revaluation reserves at December 31, 2017 and December 31, 2016 were translated using the exchange rate at the date of revaluation of property, plant and equipment: 83.8286.
- Net loss for the years ended December 31, 2020 was translated using the average exchange rate 117.5780
- Net loss for the years ended December 31, 2019 was translated using the average exchange rate 117.8593

*Translation of the Auditors' Report issued in the Serbian language*

*Translation of the Company's Financial Statements and Notes to the Financial Statements issued in the Serbian language*