

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

**Financial Statements as of and for  
the Year Ended 31 December 2021  
and Independent Auditor’s Report**

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## INDEPENDENT AUDITOR'S REPORT

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

#### Opinion

We have audited the separate financial statements of the Hotel Shareholding Company "Beogradsko Mešovito Preduzeće" a.d., Beograd (hereinafter: the "Company"), which comprise the separate balance sheet as of 31 December 2021 and the separate income statement, the separate statement of other comprehensive income, the separate statement of changes in equity and separate statement of cash flows for the year then ended, and the notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as of 31 December 2021, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with the regulations prevailing in the Republic of Serbia and accounting policies disclosed in Note 3 to the separate financial statements.

#### Basis for Opinion

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

#### Other Information

Management is responsible for the other information. The other information comprises the Annual Business Report for the year ended 31 December 2021, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

In respect of the Annual Business Report, we conducted procedures in accordance with the Law on Accounting. These procedures include verification whether the Company's Annual Business Report has been prepared in accordance with the applicable provisions of the Law on Accounting.

(Continued)

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Other Information (Continued)**

Solely based on the work we have performed during the audit of the financial statements, in our opinion:

- The information provided in the Annual Business Report for the year ended 31 December 2021, is consistent, in all material respects, with the financial statements of the Company as of and for the year ended 31 December 2021; and
- The Annual Business Report for the year ended 31 December 2021 has been prepared in accordance with the provisions of the Law on Accounting.

In addition, if based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Emphasis of Matter**

We draw your attention to Note 39 to the separate financial statements in which it was disclosed that the total amount of damage claims arising from litigations initiated against the Company as of 31 December 2021 totals RSD 294,057 thousand, excluding penalty interest, if any, that can be established upon termination of litigations. As of the separate balance sheet date, the Company established provisions based on potential losses that may arise from the above-mentioned litigations in the amount of RSD 138,231 thousand. The Company's management believes that it is not possible to predict with certainty the outcome of all litigations considering the stage of certain litigations, as well as having in mind that there are some counter-claims for certain disputes, and that it will not be exposed to material potential losses on this basis, except for provisions already presented in the separate financial statements. Our opinion is not modified in respect of this matter.

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

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

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

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

(Continued)

## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

Belgrade, 15 June 2022

Igor Radmanovic  
Certified Auditor

To be filled by legal entity - entrepreneur																						
Registration number	0	7	4	5	6	2	6	3	Activity code	5	5	1	0	TIN	1	0	0	0	0	8	0	5
Name: HOTELIJERSKO AKCIONARSKO DRUŠTVO BEOGRADSKO MEŠOVITO PREDUZEĆE AD BEOGRAD (NOVI BEOGRAD)																						
Registered office: Beograd-Novı Beograd, Milentija Popovića 5																						

**PROFIT AND LOSS ACCOUNT**  
for the period from January 1, 2021 to December 31, 2021

- 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>A. OPERATING INCOME (1002 + 1005 + 1008 + 1009 – 1010 + 1011 + 1012)</b>	1001		971.329	551.862
60	I. INCOME FROM GOODS SOLD (1003 + 1004)	1002	5	46.709	33.673
600, 602 and 604	1. Goods sold - domestic	1003		46.709	33.673
601, 603 and 605	2. Goods sold - foreign	1004			
61	II. INCOME FROM PRODUCTS SOLD AND SERVICES PROVIDED (1006 + 1007)	1005	6	823.386	439.167
610, 612 and 614	1. Products sold and services provided - domestic	1006		823.386	439.167
611, 613 and 614	2. Products sold and services provided - foreign	1007			
62	III. REVENUE FROM UNDERTAKING FOR OWN PURPOSES	1008			
630	IV. INCREASE IN INVENTORIES OF WORK IN PROGRESS AND UNFINISHED PRODUCTS AND FINISHED PRODUCTS	1009			
631	V. DECREASE IN INVENTORIES OF WORK IN PROGRESS AND UNFINISHED PRODUCTS AND FINISHED PRODUCTS	1010			
64 and 65	VI. OTHER OPERATING INCOME	1011	7	101.234	79.022
68, except 683, 685 and 686	VII. INCOME ON VALUE ADJUSTMENT OF ASSETS (EXCEPT FINANCIAL)	1012			
	<b>B. OPERATING EXPENSES (1014 + 1015 + 1016 + 1020 + 1021 + 1022 + 1023 + 1024)</b>	1013		890.296	700.144
50	I. COST OF GOODS SOLD	1014		13.606	9.769
51	II. RAW MATERIAL COSTS, FUEL AND ENERGY COSTS	1015	8	194.552	126.722
52	III. SALARIES, WAGES AND OTHER PERSONAL INDEMNITIES (1017 + 1018 + 1019)	1016	9	331.102	262.873
520	1. Salaries and wages	1017		239.573	197.024
521	2. Tax costs, contribution costs and wages	1018		40.989	28.980
52 except 520 and 521	3. Other personal indemnities and fees	1019		50.540	36.869
540	IV. DEPRECIATION COSTS	1020	10	148.745	160.134
58, except 583, 585 and 586	V. EXPENSES ON VALUE ADJUSTMENT OF ASSETS (EXCEPT FINANCIAL)	1021			

Group of accounts account	ITEM	ADP	Note number	A m o u n t	
				Current year	Previous year
1	2	3	4	5	6
53	VI. PRODUCTION SERVICES COSTS	1022	11	79.441	66.692
54, except 540	VII. PROVISION COSTS	1023	12	891	
55	VII. INTANGIBLE COSTS	1024	13	121.959	73.954
	<b>V. OPERATING PROFIT (1001 - 1013) ≥ 0</b>	1025		81.033	
	<b>G. OPERATING LOSS (1013 - 1001) ≥ 0</b>	1026			148.282
	<b>D. FINANCIAL INCOME (1028 + 1029 + 1030 + 1031)</b>	1027	14	12.409	19.070
660 and 661	I. FINANCIAL INCOME FROM PARENT COMPANIES, SUBSIDIARIES AND OTHER ASSOCIATED COMPANIES	1028		7.738	10.831
662	II. INCOME FROM INTEREST	1029			795
663 and 664	III. POSITIVE EFFECTS ON EXCHANGE RATE AND EFFECTS OF FOREIGN CURRENCY CLAUSE	1030		4.671	7.444
665 and 669	IV. OTHER FINANCIAL INCOME	1031			
	<b>D. FINANCIAL EXPENSES (1033 + 1034 + 1035 + 1036)</b>	1032	15	15.229	15.914
560 and 561	I. FINANCIAL EXPENSES FROM PARENT COMPANIES, SUBSIDIARIES AND OTHER ASSOCIATED COMPANIES	1033		1.016	345
562	II. INTEREST EXPENSES	1034		8.253	7.096
563 and 564	III. NEGATIVE EFFECTS ON EXCHANGE RATE AND EFFECTS OF FOREIGN CURRENCY CLAUSE	1035		5.960	8.473
565 and 569	IV. OTHER FINANCIAL EXPENSES	1036			
	<b>E. PROFIT FROM FINANCING (1027 - 1032) ≥ 0</b>	1037			3.156
	<b>Z. LOSS FROM FINANCING (1032 - 1027) ≥ 0</b>	1038		2.820	
683, 685 and 686	<b>Z. INCOME ON VALUE ADJUSTMENT OF FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT AND LOSS ACCOUNT</b>	1039			
583, 585 and 586	<b>I. EXPENSES ON VALUE ADJUSTMENT OF FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH PROFIT AND LOSS ACCOUNT</b>	1040			207.134
67	<b>J. OTHER INCOME</b>	1041	16	1.688	1.642
57	<b>K. OTHER EXPENSES</b>	1042	17	4.336	3.178
	<b>L. TOTAL INCOME (1001 + 1027 + 1039 + 1041)</b>	1043		985.426	572.574
	<b>Lj. TOTAL EXPENSES (1013 + 1032 + 1040 + 1042)</b>	1044		909.861	926.370
	<b>M. PROFIT FROM REGULAR OPERATIONS BEFORE TAX (1043 - 1044) ≥ 0</b>	1045		75.565	
	<b>N. LOSS FROM REGULAR OPERATIONS BEFORE TAX (1044 - 1043) ≥ 0</b>	1046			353.796
69-59	<b>Nj. POSITIVE NET EFFECT OF RESULT ON PROFIT FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS</b>	1047			750

Group of accounts account	ITEM	ADP	Note number	A m o u n t	
				Current year	Previous year
1	2	3	4	5	6
59-69	<b>O. NEGATIVE NET EFFECT OF RESULT ON LOSS FROM DISCONTINUED OPERATIONS, EFFECTS OF CHANGES IN ACCOUNTING POLICIES AND CORRECTIONS OF ERRORS FROM PREVIOUS PERIODS</b>	1048		864	
	<b>P. PROFIT BEFORE TAX (1045 - 1046 + 1047 - 1048) ≥ 0</b>	1049		74.701	
	<b>R. LOSS BEFORE TAX (1046 - 1045 + 1048 - 1047) ≥ 0</b>	1050			353.046
	<b>S. TAX ON PROFIT</b>				
721	I. TAX EXPENSES FOR THE PERIOD	1051	18	1.355	
722 debit side of account	II. DEFERRED TAX EXPENSES OF A PERIOD	1052			
722 credit side of account	III. DEFERRED TAX INCOME OF A PERIOD	1053	18	5.229	6.883
723	<b>T. PERSONAL INDEMNITIES PAID TO EMPLOYER</b>	1054			
	<b>Č. NET PROFIT (1049 - 1050 - 1051 - 1052 + 1053 - 1054) ≥ 0</b>	1055		78.575	346.163
	<b>U. NET LOSS (1050 - 1049 + 1051 + 1052 - 1053 + 1054) ≥ 0</b>	1056			
	I. NET PROFIT WHICH BELONGS TO PARTICIPATION WITHOUT CONTROL RIGHTS	1057			
	II. NET PROFIT WHICH BELONGS TO PARENT COMPANY	1058			
	III. NET LOSS WHICH BELONGS TO PARTICIPATION WITHOUT CONTROL RIGHTS	1059			
	IV. NET LOSS WHICH BELONGS TO PARENT COMPANY	1060			
	V. EARNINGS PER SHARE				
	1. BASIC EARNING PER SHARE	1061			
	2. DILUTED EARNING PER SHARE	1062			

In Belgrade,	Legal representative
on March, 24, 2022	S.P.

This form is mandatory pursuant to the Rulebook on the content and layout of financial statement forms for legal entities, cooperatives and entrepreneurs (RS Official Gazette No 89/2020).

To be filled by legal entity - entrepreneur																						
Basic identification number	0	7	4	5	6	2	6	3	Activity code	5	5	1	0	TIN	1	0	0	0	0	8	0	5
Name: HOTELIJERSKO AKCIONARSKO DRUŠTVO BEOGRADSKO MEŠOVITO PREDUZEĆE AD BEOGRAD (NOVI BEOGRAD)																						
Registered office: Beograd-Novi Beograd, Milentija Popovića 5																						

**STATEMENT OF COMPREHENSIVE INCOME**  
for the period from January 1, 2021 to December 31, 2021

- in 000 RSD -

Group Group of accounts, account	ITEM	ADP	Note number	Amount	
				Current year	Previous year
1	2	3	4	5	6
	<b>A. NET OPERATING RESULT</b>				
	I. NET PROFIT (ADP 1055)	2001	1	78.575	
	II. NET LOSS (ADP 1056)	2002			346.163
	<b>B. OTHER COMPREHENSIVE PROFIT OR LOSS</b>				
	<b>a) items that will not be reclassified into Profit and loss account in future periods</b>				
330	1. Revaluations of intangible assets, immovables, plant and equipment				
	a) increase in revaluation reserves	2003			
	b) decrease in revaluation reserves	2004			
331	2. Actuarial profits or losses arising from defined benefit plans				
	a) profit	2005			
	b) losses	2006			
333	3. Profit or losses from shares in other comprehensive profit or loss of associated companies				
	a) profit	2007			
	b) losses	2008			
	<b>b) items that can be subsequently reclassified into Profit and loss account in future periods</b>				
332	1. Profit or losses from investing in equity instruments				
	a) profit	2009			
	b) losses	2010			
334	2. Profit or losses from conversion of financial statements of foreign operations				
	a) profit	2011			
	b) losses	2012			

Group Group of accounts account	ITEM	ADP	Note number	Amount	
				Current year	Previous year
1	2	3	4	5	6
335	3. Profit or losses on hedging instruments of net investments in foreign operations				
	a) profit	2013			
	b) losses	2014			
336	4. Profit or losses on cash flow hedging instruments				
	a) profit	2015			
	b) losses	2016			
337	5. Profit or losses on securities valued at fair value through other comprehensive income				
	a) profit	2017			
	b) losses	2018			
	I. OTHER GROSS COMPREHENSIVE INCOME (2003 + 2005 + 2007 + 2009 + 2011 + 2013 + 2015 + 2017) - (2004 + 2006 + 2008 + 2010 + 2012 + 2014 + 2016 + 2018) ≥ 0	2019			
	II. OTHER GROSS COMPREHENSIVE LOSS (2004 + 2006 + 2008 + 2010 + 2012 + 2014 + 2016 + 2018) - (2003 + 2005 + 2007 + 2009 + 2011 + 2013 + 2015 + 2017) ≥ 0	2020			
	III. DEFERRED TAX EXPENSE ON OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	2021			
	IV. DEFERRED TAX REVENUE ON OTHER COMPREHENSIVE PROFIT OR LOSS FOR THE PERIOD	2022			
	V. NET OTHER COMPREHENSIVE PROFIT (2019 - 2020 - 2021 + 2022) ≥ 0	2023			
	VI. NET OTHER COMPREHENSIVE LOSS (2020 - 2019 + 2021 - 2022) ≥ 0	2024			
	<b>V. TOTAL NET COMPREHENSIVE RESULT FOR THE PERIOD</b>				
	I. TOTAL NET COMPREHENSIVE PROFIT (2001 - 2002 + 2023 - 2024) ≥ 0	2025		78.575	
	II. TOTAL NET COMPREHENSIVE LOSS (2002 - 2001 + 2024 - 2023) ≥ 0	2026			346.163
	<b>G. TOTAL NET COMPREHENSIVE PROFIT OR LOSS (2028 + 2029) = ADP 2025 ≥ 0 or ADP 2026 &gt; 0</b>	2027			
	1. Attributed to parent legal entity	2028			
	2. Attributed to non-controlling participations	2029			

In Belgrade,

Legal representative

on March 24, 2022

S.P.

This form is mandatory pursuant to the Decision on the content and layout of financial statement forms for legal entities, cooperatives and entrepreneurs (RS Official Gazette No 89/2020).

To be filled by legal entity - entrepreneur																						
Registration number	0	7	4	5	6	2	6	3	Activity code	5	5	1	0	TIN	1	0	0	0	0	8	0	5
Name: HOTELIJERSKO AKCIONARSKO DRUŠTVO BEOGRADSKO MEŠOVITO PREDUZEĆE AD BEOGRAD (NOVI BEOGRAD)																						
Registered office: Beograd-Novi Beograd, Milentija Popovića 5																						

**BALANCE SHEET**  
on December 31, 2021

- 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	<b>A. SUBSCRIBED CAPITAL UNPAID</b>	0001				
	<b>B. PERMANENT ASSETS (0003 + 0009 + 0017 + 0018 + 0028)</b>	0002		2.774.950	2.971.944	2.501.036
01	<b>I. INTANGIBLE ASSETS (0004 + 0005 + 0006 + 0007 + 0008)</b>	0003	19	10.087	11.717	11.157
010	1. Investment in development	0004				
011, 012 and 014	2. Concessions, patents, licenses, trademarks, service marks, software and other intangible assets	0005		10.087	11.717	3.997
013	3. Goodwill	0006				
015 and 016	4. Leased intangible assets and intangible assets under construction	0007				7.160
017	5. Advances for intangible assets	0008				
02	<b>II. IMMOVABLES, PLANTS AND EQUIPMENT (0010 + 0011 + 0012 + 0013 + 0014 + 0015 + 0016)</b>	0009	20	2.039.367	2.105.352	2.223.427
020, 021 and 022	1. Land and buildings	0010		1.803.610	1.889.999	1.976.388
023	2. Plant and equipment	0011		171.439	214.021	237.554
024	3. Investment immovables	0012				
025 and 027	4. Leased immovables, plant and equipment and immovables, plant and equipment under construction	0013				
026 and 028	5. Other immovables, plant and equipment and investment in third-party immovables, plant and equipment	0014				
029 (part)	6. Advances for immovables, plant and equipment - domestic	0015		64.318	1.332	9.485
029 (part)	7. Advances for immovables, plant and equipment - foreign	0016				
03	<b>III. BIOLOGICAL RESOURCES</b>	0017				
04 and 05	<b>IV. LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES (0019 + 0020 + 0021 + 0022 + 0023 + 0024 + 0025 + 0026 + 0027)</b>	0018	21	725.496	854.875	266.452

Group of account s 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
040 (part), 041 (part) and 042 (part)	1. Participation in equity of legal entities (except participation in equity valued by method of participation)	0019		459.055	459.055	
040 (part), 041 (part) and 042 (part)	2. Participation in equity valued by method of participation	0020				
043, 050 (part) and 051 (part)	3. Long-term investments in parent companies, subsidiaries and other associated companies and long-term receivables - domestic	0021		120.518	249.897	120.529
044, 050 (part), 051 (part)	4. Long-term investments in parent companies, subsidiaries and other associated companies and long-term receivables - foreign	0022				
045 (part) and 053 (part)	5. Long-term investments (credits and loans) - domestic	0023				
045 (part) and 053 (part)	6. Long-term investments (credits and loans) - foreign	0024				
046	7. Long-term financial investments (securities valued through method of depreciation)	0025				
047	8. Treasury shares and redeemed own stakes	0026		145.923	145.923	145.923
048, 052, 054, 055 and 056	9. Other long-term investments and other long-term receivables	0027				
28 (part), except 288	V. LONG-TERM ACCRUED EXPENSES	0028				
288	<b>V. DEFERRED TAX ASSETS</b>	0029				
	<b>G. CURRENT ASSETS (0031 + 0037 + 0038 + 0044 + 0048 + 0057 + 0058)</b>	0030		503.438	286.600	1.192.040
Class 1, except group 14	I. INVENTORIES (0032 + 0033 + 0034 + 0035 + 0036)	0031	22	41.366	34.808	57.022
10	1. Materials, spare parts, tools and small inventory	0032		28.569	23.579	31.451
11 and 12	2. Work in progress and finished products	0033				
13	3. Goods	0034		9.158	6.951	10.596
150, 152 and 154	4. Advances paid for inventories and services - domestic	0035		3.498	4.278	14.975
151, 153 and 155	5. Advances paid for inventories and services - foreign	0036		141		
14	II. PERMANENT ASSETS HELD FOR SALE AND FOR DISCONTINUED OPERATIONS	0037				
20	III. RECEIVABLES FROM SALES (0039 + 0040 + 0041 + 0042 + 0043)	0038	23	27.241	11.466	27.763
204	1. Domestic trade receivables	0039		27.068	11.335	27.473
205	2. Foreign trade receivables	0040				

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
200 and 202	3. Receivables from domestic parent companies, subsidiaries and other associated companies	0041		173	131	290
201 and 203	4. Receivables from foreign parent companies, subsidiaries and other associated companies	0042				
206	5. Other receivables from sales	0043				
21, 22 and 27	IV. OTHER SHORT-TERM RECEIVABLES (0045 + 0046 + 0047)	0044	24	90.072	57.441	3.883
21, 22 except 223 and 224 and 27	1. Other receivables	0045		17.606	9.621	2
223	2. Receivables from overpaid tax on profit	0046		72.466	47.820	3.881
224	3. Receivables from overpaid other taxes and contributions	0047				
23	V. SHORT-TERM FINANCIAL INVESTMENTS (0049 + 0050 + 0051 + 0052 + 0053 + 0054 + 0055 + 0056)	0048	25	129.374		209.386
230	1. Short-term credits and investments - parent companies and subsidiaries	0049				
231	2. Short-term credits and investments – other associated companies	0050				129.386
232, 234 (part)	3. Short-term credits, loans and investments - domestic	0051		129.374		80.000
233, 234 (part)	4. Short-term credits, loans and investments - foreign	0052				
235	5. Shares valued through method of depreciation	0053				
236 (part)	6. Financial assets at fair value through profit and loss account	0054				
237	7. Treasury shares and redeemed own stakes	0055				
236 (part), 238 and 239	8. Other short-term financial investments	0056				
24	VI. CASH AND CASH EQUIVALENTS	0057	26	199.493	172.607	887.620
28 (part), except 288	VII. SHORT-TERM ACCRUED EXPENSES	0058	27	15.892	10.278	6.366
	<b>D. TOTAL ASSETS = OPERATING ASSETS (0001 + 0002 + 0029 + 0030)</b>	0059		3.278.388	3.258.544	3.693.076
88	<b>D. OFF-BALANCE SHEET ASSETS</b>	0060		1.200	2.639	44
	<b>EQUITY AND LIABILITIES</b>					
	<b>A. EQUITY (0402 + 0403 + 0404 + 0405 + 0406 - 0407 + 0408 + 0411 - 0412) ≥ 0</b>	0401	28	2.758.466	2.680.249	3.026.412
30, except 306	I. CAPITAL	0402		2.702.379	2.702.379	2.702.379
31	II. SUBSCRIBED CAPITAL UNPAID	0403				

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
306	III. SHARE PREMIUM	0404				
32	IV. RESERVES	0405		361.669	361.669	361.669
330 and credit balance account of 331, 332, 333, 334, 335, 336 and 337	V. POSITIVE REVALUATION RESERVES AND UNREALIZED PROFIT FROM FINANCIAL ASSETS AND OTHER ELEMENTS OF OTHER COMPREHENSIVE INCOME	0406				
debit balance accounts 331, 332, 333, 334, 335, 336 and 337	VI. UNREALIZED LOSSES FROM FINANCIAL ASSETS AND OTHER ELEMENTS OF OTHER COMPREHENSIVE INCOME	0407		359		
34	VII. RETAINED EARNINGS (0409 + 0410)	0408		1.258.890	1.180.314	1.180.314
340	1. Retained earnings from previous years	0409		1.180.315	1.180.314	948.439
341	2. Retained earnings for the current year	0410		78.575		231.875
	VIII. PARTICIPATION WITHOUT CONTROL RIGHTS	0411				
35	IX. LOSS (0413 + 0414)	0412		1.564.113	1.564.113	1.217.950
350	1. Loss from previous years	0413		1.564.113	1.217.950	1.217.950
351	2. Loss for the current year	0414			346.163	
	<b>B. LONG-TERM PROVISIONS AND LIABILITIES (0416 + 0420 + 0428)</b>	0415		292.529	357.168	405.378
40	I. LONG-TERM PROVISIONS (0417 + 0418 + 0419)	0416	29	148.385	147.153	147.998
404	1. Provisions for compensations and other employment benefits	0417		10.154	8.922	9.767
400	2. Provisions for costs incurred during the warranty period	0418				
40, except 400 and 404	3. Other long-term provisions	0419		138.231	138.231	138.231
41	II. LONG-TERM LIABILITIES (0421 + 0422 + 0423 + 0424 + 0425 + 0426 + 0427)	0420	30	144.144	210.015	257.380
410	1. Debts convertible into equity	0421				
411 (part) and 412 (part)	2. Long-term credits and other long- term liabilities to parent companies, subsidiaries and other associated companies-domestic	0422				
411 (part) and 412 (part)	3. Long-term credits and other long- term liabilities to parent companies, subsidiaries and other associated companies-foreign	0423				
414 and 416 (part)	4. Long-term credits, loans and leasing liabilities – domestic	0424		142.952	206.481	254.000
415 and 416 (part)	5. Long-term credits, loans and leasing liabilities -foreign	0425				
413	6.Liabilities for issued securities	0426				
419	7.Other long-term liabilities	0427		1.192	3.534	3.380

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
49 (part), except 498 and 495 (part)	III. LONG-TERM DEFERRED EXPENSES	0428	18	72.101	77.330	84.213
498	V. DEFERRED TAX LIABILITIES	0429				
495 (part)	G. DEFERRED LONG-TERM INCOME AND DONATIONS RECEIVED	0430				
	D. SHORT-TERM PROVISIONS AND SHORT-TERM LIABILITIES (0432+ 0433 + 0441+ 0442 + 0449 + 0453 + 0454)	0431		155.292	143.797	177.073
467	I.SHORT-TERM PROVISIONS	0432	31	4.714		
42, except 427	II. SHORT-TERM FINANCIAL LIABILITIES (0434 + 0435 + 0436 + 0437 + 0438 + 0439 + 0440)	0433	32	63.533	63.533	63.974
420 (part) and 421 (part)	1.Liabilities from credits from parent company and subsidiaries and other associated companies - domestic	0434				
420 (part) and 421 (part)	2. Liabilities from credits from parent company and subsidiaries and other associated companies - foreign	0435				
422 (part), 424 (part), 425 (part), and 429 (part)	3.Liabilities from credits and loans from legal entities which are not domestic banks	0436				
422 (part), 424 (part), 425 (part), and 429 (part)	4. Credit liabilities from domestic banks	0437		63.533	63.533	63.974
423, 424 (part), 425 (part) and 429 (part)	5.Credits, loans and liabilities - foreign	0438				
426	6. Liabilities from short-term shares	0439				
428	7. Liabilities from financial derivatives	0440				
430	III. PREPAYMENTS, DEPOSITS AND GUARANTEES	0441	33	13.189	11.962	20.289
43, except 430	IV. OPERATING LIABILITIES (0443 + 0444 + 0445 + 0446 + 0447 + 0448)	0442	33	18.469	22.090	24.696
431 and 433	1. Trade payables - domestic parent company, subsidiaries and other associated companies	0443			705	
432 and 434	2. Trade payables - foreign parent company, subsidiaries and other associated companies	0444		10.294	12.620	7.683
435	3. Trade payables - domestic	0445		6.210	4.958	13.419
436	4. Trade payables - foreign	0446		1.965	3.806	3.594
439 (part)	5. Promissory note liabilities	0447				
439 (part)	6. Other operating liabilities	0448			1	
44, 45, 46 except 467, 47 and 48	V. OTHER SHORT-TERM LIABILITIES (0450 + 0451 + 0452)	0449	34	16.584	25.619	27.340
44, 45 and 46 except 467	1.Other short-term liabilities	0450		10.398	24.269	1.581
47, 48 except 481	2. Liabilities for value added tax and other public revenues	0451		6.186	1.350	25.759
481	3. Liabilities for tax on profit	0452				
427	VI. LIABILITIES FOR ASSETS HELD FOR SALE AND FOR DISCONTINUED OPERATIONS	0453				
49 (part) except 498	VII. SHORT DEFERRED EXPENSES	0454	35	38.803	20.593	40.774

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>D. LOSS ABOVE EQUITY (0415 + 0429 + 0430 + 0431 - 0059) ≥ 0 = 0407 + 0412 - 0402 - 0403 - 0404 - 0405 - 0406 - 0408 - 0411) ≥ 0</b>	0455				
	<b>E. TOTAL EQUITY AND LIABILITIES (0401 + 0415 + 0429 + 0430 + 0431 - 0455)</b>	0456		3.278.388	3.258.544	3.693.076
89	<b>Z. OFF-BALANCE SHEET LIABILITIES</b>	0457		1.200	2.639	44

In Belgrade,  on March 24, 2022	S.P.	Legal representative  <div style="border-top: 1px solid black; height: 1.2em; width: 100%;"></div>
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This form is mandatory pursuant to the Rulebook on the content and layout of financial statement forms for legal entities, cooperatives and entrepreneurs (RS Official Gazette No 89/2020).

To be filled by legal entity - entrepreneur																						
Basic identification number	0	7	4	5	6	2	6	3	Activity code	5	5	1	0	TIN	1	0	0	0	0	8	0	5
Name	HOTELIJERSKO AKCIONARSKO DRUŠTVO BEOGRADSKO MEŠOVITO PREDUZEĆE AD BEOGRAD (NOVI BEOGRAD)																					
Registered office	Beograd-Noví Beograd, Milentija Popovića 5																					

**CAPITAL CHANGES STATEMENT**  
in period from January 1 to December 31, 2021

n 000 RSD-

NO.	DESCRIPTION	ADP	Capital (group 30 except 306 and 309)	ADP	Other Capital (acc 309)	ADP	Subscribed capital unpaid (group 31)	ADP	Issue premium and reserves (acc 306 and group 32)
	1		2		3		4		5
1.	Balance on day 01.01. year ____	4001	2.702.379	4010		4019		4028	361.669
2.	Effects of retroactive correction of material mistakes and changes of accounting policies	4002		4011		4020		4029	
3.	Corrected opening balance on day 01.01. year ____ (col 1+2)	4003	2.702.379	4012		4021		4030	361.669
4.	Net changes in year 2021.	4004		4013		4022		4031	
5.	Balance on day 31.12. year ____ (col 3+4)	4005	2.702.379	4014		4023		4032	361.669
6.	Effects of retroactive correction of material mistakes and changes of accounting policies	4006		4015		4024		4033	
7.	Corrected opening balance on day 01.01. year (col 5+6)	4007	2.702.379	4016		4025		4034	361.669
8.	Net changes in year 2021.	4008		4017		4026		4035	
9.	Balance on day 31.12. year (col 7+8)	4009	2.702.379	4018		4027		4036	361.669

NO.	DESCRIPTION	ADP	Revalutaion reserves and unrealized profit and losses (group 33)	ADP	Unrealized profit (group 34)	ADP	Losses (group 35)	ADP	Participation without control rights
	1		6		7		8		9
1.	Balance on day 01.01. year	4037		4046	1.180.314	4055	1.564.113	4064	
2.	Effects of retroactive correction of material mistakes and changes of accounting policies	4038		4047		4056		4065	
3.	Corrected opening balance on day 01.01. year (col 1+2)	4039		4048	1.180.314	4057	1.564.113	4066	
4.	Net changes in year	4040		4049		4058		4067	
5.	Balance on day 31.12. year (col 3+4)	4041		4050	1.180.314	4059	1.564.113	4068	
6.	Effects of retroactive correction of material mistakes and changes of accounting policies	4042		4051		4060		4069	
7.	Corrected opening balance on day 01.01. year (col 5+6)	4043		4052	1.180.314	4061	1.564.113	4070	
8.	Net changes in year.	4044	-359	4053	78.576	4062		4071	
9.	Balance on day 31.12. year (col 7+8)	4045	-359	4054	1.258.890	4063	1.564.113	4072	

NO.	DESCRIPTION	ADP	In total (correspondents to ADP 0401) (col. 2+3+4+5+6+7-8+9) ≥0	ADP	Loss above equity (correspondents to ADP 0455) (col. 2+3+4+5+6+7-8+9) <0
	1		10		11
1.	Balance on day 01.01. year	4073	2.680.249	4082	
2.	Effects of retroactive correction of material mistakes and changes of accounting policies	4074		4083	
3.	Corrected opening balance on day 01.01. year (col 1+2)	4075	2.680.249	4084	
4.	Net changes in year 2021.	4076		4085	
5.	Balance on day 31.12. year (col 3+4)	4077	2.680.249	4086	
6.	Effects of retroactive correction of material mistakes and changes of accounting policies	4078		4087	
7.	Corrected opening balance on day 01.01. year (col 5+6)	4079	2.680.249	4088	
8.	Net changes in year	4080		4089	
9.	Balance on day 31.12. year (col 7+8)	4081	2.758.466	4090	

In Belgrade,

Legal representative

on March 24, 2022

This form is mandatory pursuant to the Rulebook on the content and layout of financial statement forms for legal entities, cooperatives and entrepreneurs (RS Official Gazette No 89/2020).

To be filled by legal entity - entrepreneur																						
Basic identification number	0	7	4	5	6	2	6	3	Activity code	5	5	1	0	TIN	1	0	0	0	0	8	0	5
Name: <b>HOTELIJERSKO AKCIONARSKO DRUŠTVO BEOGRADSKO MEŠOVITO PREDUZEĆE AD BEOGRAD (NOVI BEOGRAD)</b>																						
Registered office: <b>Beograd-Novi Beograd, Milentija Popovića 5</b>																						

**CASH FLOW STATEMENT**  
in the period from January 1, 2021 to December 31, 2021

- in 000 RSD -

ITEM	ADP	Amount	
		Current year	Previous year
1	2	3	4
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
I. Cash inflows from operating activities (from 1 to 4)	3001	1.102.319	728.115
1. Inflows from sales and prepayments - domestic	3002	728.115	580.025
2. Inflows from sales and prepayments - foreign	3003		
3. Interests provided by operating activities	3004	7.170	9.472
4. Other inflows from operating activities	3005	119.007	138.618
II. Cash outflows from operating activities (from 1 to 8)	3006	993.853	629.586
1. Trade payables and prepayments - domestic	3007	352.133	272.255
2. Trade payables and prepayments - foreign	3008	184.960	
3. Salaries, wages and other personal indemnities	3009	345.014	238.604
4. Interests paid - domestic	3010	8.253	7.098
5. Interests paid - foreign	3011		
6. Tax on profit	3012	26.001	60.921
7. Outflows from other public revenues	3013	77.492	50.708
8. Other outflows from operating activities	3014		
III. Net cash inflows from operating activities (I-II)	3015	108.466	98.529
IV. Net cash outflows from operating activities (II-I)	3016		
<b>B. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
I. Cash inflows from investing activities (from 1 to 5)	3017		80.000
1. Sale of shares and stakes	3018		
2. Sale of intangible assets, immovables, plant, equipment and biological resources	3019		
3. Other financial investments	3020		80.000

ITEM	ADP	Amount	
		Current year	Previous year
1	2	3	2
4. Interests from investing activities	3021		
5. Inflows from dividends	3022		
II. Cash outflows from investing activities (from 1 to 3)	3023	18.656	846.329
1. Purchase of shares and stakes	3024		666.189
2. Purchase of intangible assets, immovables, plants, equipment and biological resources	3025	18.650	50.772
3. Other financial investments	3026	6	129.368
III. Net cash inflows from investing activities (I-II)	3027		
IV. Net cash outflows from investing activities (II-I)	3028	18.656	766.329
<b>V. CASH FLOWS FROM FINANCING ACTIVITIES</b>	3029	2.344	
I. Cash inflows from financing activities (1 to 7)			
1. Capital increase	3030		
2. Long-term credits - domestic	3031		
3. Long-term credits - foreign	3032		
4. Short-term credits - domestic	3033	2.344	
5. Short-term credits - foreign	3034		
6. Other long-term liabilities	3035		
7. Other short-term liabilities	3036		
II. Cash outflows from financing activities (from 1 to 8)	3037	63.530	47.993
1. Treasury shares and stakes	3038		
2. Long-term credits - domestic	3039	63.530	47.519
3. Long-term credits - foreign	3040		
4. Short-term credits - domestic	3041		
5. Short-term credits - foreign	3042		
6. Other liabilities	3043		
7. Financial leasing	3044		474
8. Dividends paid	3045		
III. Net cash inflows from financing activities (I-II)	3046		
IV. Net cash outflows from financing activities (II-I)	3047	61.186	47.993
<b>G. TOTAL CASH INFLOWS (3001 + 3017 + 3029)</b>	3048	1.104.663	808.115
<b>D. TOTAL CASH OUTFLOWS (3006 + 3023 + 3037)</b>	3049	1.076.039	1.523.908
<b>Đ. NET CASH INFLOWS (3048 - 3049) ≥ 0</b>	3050	28.624	
<b>E. NET CASH OUTFLOWS (3049 - 3048) ≥ 0</b>	3051		715.793
<b>Ž. CASH AT THE BEGINNING OF THE ACCOUNTING PERIOD</b>	3052	172.607	887.620
<b>Z. POSITIVE EFFECTS ON EXCHANGE RATE CHANGES FROM CASH CALCULATION</b>	3053	5.238	9.599
<b>I. NEGATIVE EFFECTS ON EXCHANGE RATE CHANGES FROM CASH CALCULATION</b>	3054	6.976	8.819
<b>J. CASH AT THE END OF THE ACCOUNTING PERIOD</b> (3050 - 3051 + 3052 + 3053 - 3054)	3055	199.493	172.607

In Belgrade,

Legal representative

on March 24, 2022

S.P.

This form is mandatory pursuant to the Decision on the content and layout of financial statement forms for legal entities, cooperatives and entrepreneurs (RS Official Gazette No 89/2020).

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**1. FOUNDATION AND ACTIVITY**

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

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

The Company was incorporated for an indefinite period and organized as a private shareholding company. The Company's shares are registered with the Central Securities Depository and Clearing House, with restrictions imposed on trade. As of December 31, 2017, the Company's current shareholders were Luella Enterprises Company Limited, Cyprus (holding a 94.60% equity interest therein) and Energoprojekt Holding ad Beograd (holding a 5.40% equity interest). On March 14, 2018, the Company purchased its treasury shares previously owned by Energoprojekt Holding a.d., Beograd. The owner of the majority shareholder is Etarieia Ellinikon Xenodoheion Lampsa A.E. from Athens, Greece.

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

The Company's tax identification number (fiscal code) is 100000805, and its corporate ID number is 07456263. As of December 31, 2021 the Company had 224 employees (December 31, 2020: 168 employees).

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

**2.1. Basis of Preparation and Presentation of the Financial Statements**

Legal entities and entrepreneurs incorporated in the Republic of Serbia are required to maintain their books of account, to recognize and measure assets and liabilities, income and expenses, and to prepare, present, submit and disclose financial statements in conformity with the Law on Accounting (hereinafter: the "Law", Official Gazette of the Republic of Serbia no. 73/2019 and 44/2021), and other effective bylaws and regulations. As a large entity, the Company is required to apply the 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"), the International Accounting Standards ("IAS"), the 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" or the "Board"), the translations of which to the Serbian language were approved and issued by the competent Ministry of Finance.

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

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

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

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

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

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

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

- The Company has prepared these financial statements in line with the requirements of the Rules on the Chart of Accounts and Contents of Accounts within the Chart of Accounts for Companies, Cooperatives and Entrepreneurs (Official Gazette of RS no. 95/2014) and in the format prescribed by the Rules on the Content and Form of the Financial Statements for Companies, Cooperatives and Entrepreneurs (Official Gazette of RS no. 89/2020), which departs from the format defined by IAS 1 (Revised) – "Presentation of the Financial Statements and IAS 7 – "Statement of Cash Flows".
- Decision of the Republic of Serbia Ministry of Finance no. 401-00-896/2014-16 dated March 13, 2014 (Official Gazette of the Republic of Serbia no. 35/2014) stipulates that official standards comprise the official translations of the International Accounting Standards ("IAS") and International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") as well as interpretations of the standards issued by the International Financial Reporting Interpretations Committee ("IFRIC") until July 31, 2013. After July 31, 2013 IASB and IFRIC issued a significant number of amendments, annual improvements and supplements to the existing or revised standards and interpretations and pronounced new IFRS and replaced some of the existing IAS, which have not been translated and officially adopted in the Republic of Serbia.

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

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

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

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

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

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

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

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

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

These financial statements were approved for issue by the Company's Supervisory Board on March 24, 2022.

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**

**(a) Standards and Interpretations Issued in the Current Period but not yet Translated and Adopted in the Republic of Serbia**

As of the financial statements issuance date, the following standards and amendments were issued by IASB and interpretations issued by IFRIC, but were not officially adopted and translated in the Republic of Serbia:

- Amendments to IFRS 3 "Business combinations" – Definition of a Business (effective for annual periods beginning on or after January 1, 2020).
- Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" – Definition of materiality (effective for annual periods beginning on or after January 1, 2020).

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

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

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

**(a) Standards and Interpretations Issued in the Current Period but not yet Translated and Adopted in the Republic of Serbia (continued)**

- Updating a Reference to the Conceptual Framework IFRS. This document includes amendments of IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32 in order to be in accordance with a new conceptual framework for financial reporting (effective for annual periods beginning on or after January 1, 2020).
- Amendments to IFRS 9, IAS 39 and IFRS 7 - "Interest Rate Benchmark Reform" – Phase 1 (effective for annual periods beginning on or after January 1, 2020).
- Amendments to IFRS 16 "Leasing" – Covid-19 Related Rent Concessions (effective for annual periods beginning on or after June 1, 2020).
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - "Interest Rate Benchmark Reform" – Phase 2 (effective for annual periods beginning on or after January 1, 2021).
- Amendments to IFRS 16 "Leasing" – Covid-19 Related Rent Concessions after June 30, 2021 (effective for annual periods beginning on or after April 1, 2021).

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.

**(b) New Standards and Interpretations in Issue not yet in Effect and not early adopted by the Company**

At the date of issuance of these financial statements the following standards, their amendments, revisions and interpretations were in issue but not yet effective (with early adoption supported) for the period beginning on January 1, 2021:

- Amendments to IFRS 3 "Business combinations" updating a Reference to the Conceptual Framework for financial reporting (effective for annual periods beginning on or after January 1, 2022).
- Amendments to IAS 16 "Property, plant and equipment" – Proceeds before intended use (effective for annual periods beginning on or after January 1, 2022).
- Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" – Onerous Contracts: Cost of Fulfilling a Contract (effective for annual periods beginning on or after January 1, 2022).
- Annual improvements to IFRSs 2018-2020 Cycle – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (effective for annual periods beginning on or after January 1, 2022).
- IFRS 17 "Insurance Contracts" and subsequent amendments of this standard (effective for annual periods beginning on or after January 1, 2023).

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**December 31, 2021**

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

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

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

**(b) New Standards and Interpretations in Issue not yet in Effect and not early adopted by the Company (continued)**

- Amendments to IFRS 4 “Insurance Contracts” – Extend the use of the deferral approach to IFRS 9 “Financial Instruments”, so that insurance entities would only be required to apply IFRS 9 for annual periods beginning on or after January 1, 2023.
- Amendments to IAS 1 “Presentation of Financial Statements” and IFRS practice Statement 2 – Accounting Policy Disclosures (effective for annual periods beginning on or after January 1, 2023).
- Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Accounting Estimates (effective for annual periods beginning on or after January 1, 2023).
- Amendments to IAS 12 “Deferred Tax”- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after January 1, 2023).
- Amendments to IAS 1 “Presentation of Financial Statements” – Classification of Liabilities as Current or Non-current (effective for annual periods beginning on or after January 1, 2024).

**2.3. New and Amended IFRS Standards that are Effective for the Current Year**

The new standards, their amendments, revisions and interpretations were effective for the period beginning on January 1, 2021 but the most important is IFRS 16 “Leases”. Impact of initial application of IFRS 16 “Leases” is explained in the text below.

**Analysis of IFRS 16 „Leases“ Impact**

IFRS 16 „Leases“ brings major changes for lessees and has a significant effect on each entity with material lease amounts which were treated as an operating lease up to the January 2021. Contrary, lessors are likely to be least affected by the changes as IFRS 16 is very similar to IAS 17.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The Standard provides a unique model for lease accounting, requesting from the lessee to recognize assets and liabilities for all leases except for short-term leases (terms of 12 months or less) and low-value asset leases.

Lessees are likely to be the most affected as under IFRS 16 leases are required to be brought on-balance sheet by the lessees recognizing the „right-of-use“ of the asset and the related lease liability at commencement of the lease with effect on borrowing costs (interest).

Rent expenses relating to the operating lease, presented within Operating expenses up to the end of 2020, beginig from 2021 should be recognized within depreciation of asset with „right-of-use“ and interest expenses. It will respectivly increase EBITDA of the lessee without any change in the economic circumstances.

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

*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. New and Amended IFRS Standards that are Effective for the Current Year (continued)**

**Analysis of IFRS 16 „Leases“ Impact (continued)**

Lessee recognize the lease liability and a right-of-use asset at the commencement date. Rent expenses relating to the operating lease should be split into depreciation and interest payments.

Subsequent measurement should be performed upon identification of lease modifications (change in lease term, change in a future lease payments).

Initial implementation of this standard provides two options for comparative balance preparation:

- Retrospective implementation: comparatives are re-calculated and the cumulative effect of the first year implementation should be recognized through undistributed profit adjustment as of January 1, 2021 or
- Modified cumulative catch-up: comparatives are presented as previously reported with the difference in assets to liabilities recognised in operating retained earnings.

The new standard requests making a certain estimates depending on the nature and term of a lease. The incremental borrowing rate is the rate of interest on the government bonds issued in the nearest period to the lease contract and with the maturity date equal to the lease term.

Rent expenses on operating lease in the income statement mostly relate to short-term contracts and low-value asset leases.

After the commencement date, the Company shall measure the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses.

Implementation of IFRS 16 beginning from January 1, 2021 did not effect the Company's financial statement relating to lease agreements as the Company currently has no long-term lease agreement.

Besides abovementioned, application of the other standards, interpretations and changes of the current IFRS standards, translated and officially adopted has no effect on the Company's financial statements.

**2.4. Comparative Information**

Comparative information in these financial statements comprises the Company's financial statements as of and for the year ended December 31, 2020, presented in accordance with the accounting policies adopted in the Republic of Serbia and audited.

In order to apply the new Rules on the Content and Form of the Financial Statements for Companies, Cooperatives and Entrepreneurs (Official Gazette of RS no. 89/2020), the Company reclassified certain comparative data for 2020 in the accompanying separate financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

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

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

**2.5. Going Concern and impact of COVID-19**

During this business year, Covid-19 in Serbia resulted in a significant problems in operations. Although the COVID-19 epidemic caused significant decrease in demand for the accommodation services, food and beverage services, the Company has applied measures to provide continuity in operations, on satisfactory level. In 2021 the Company has in possession sufficient liquid assets to discharge its liabilities and there was no need to use additional loans. The Company has no difficulties in collection of receivables, as it's known customers to whom a deferred payments was approved based on credit analysis. The Company fulfilled all its obligations on a timely basis. Therefore, the accompanying financial statements have been prepared on a going concern basis, assuming that the Company will continue to operate for an indefinite period in the foreseeable future.

The Company used the following types of the Government's grants during 2021:

1. Net minimum salary per employee for January 2021;
2. 50% of net minimum salary per employee for April, May and June 2021;
3. Financial support to the hotel industry in the amount of EUR 350 per bad and EUR 150 per room;
4. Net minimum salary per employee for August and September 2021.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**3.1. Income**

*Sales of Products and Services*

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

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

*Finance Income*

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

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

*Other Income*

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

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.2. Expenses**

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

*Operating Expenses*

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

*Finance Expenses*

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

*Other Expenses*

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

**3.3. Foreign Exchange Translation**

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

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

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

**3.4. Employee Benefits**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.4. Employee Benefits (Continued)**

*Long-Term Employee Benefits - Obligations for Retirement Benefits*

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

The Company had an independent actuary perform calculation of the present value of its liabilities for the employee retirement benefits as of December 31, 2021 and accrued and recorded the said liabilities as of the reporting date (Note 29).

*Short-Term Compensated Absences*

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

**3.5. Income Taxes**

*Current Income Tax*

Current income tax is payable at the legally prescribed rate of 15% (2020: 15%) on the taxable income determined within the tax statement and reported in the annual corporate income tax return, which includes the profit before taxation shown in the statutory statement of income, as adjusted for differences that are specifically defined under statutory tax rules of the Republic of Serbia, less any prescribed tax credits.

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

*Deferred Income Taxes*

Deferred income taxes are provided using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and tax credits and losses available for carryforward, to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the tax loss/credits of the carryforwards can be utilized. Deferred tax assets and liabilities are determined at the tax rate expected to be applied in the period of the relevant asset realization/liability settlement. As at December 31, 2021, deferred tax assets and liabilities were provided at the rate of 15% (December 31, 2020: 15%).

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

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.6. Intangible Assets**

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

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

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

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

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

**3.7. Property and Equipment**

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.7. Property and Equipment (Continued)**

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

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

Depreciation for tax purposes is calculated in accordance with the Law on Corporate Income Tax 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, 153/2020 and 118/2021) , the Rulebook on the method of classifying fixed assets by group and the method of determining depreciation for tax purposes ("Official Gazette of the RS", no. 116/2004, 99/2010, 104/2018 and 8/2019) and the Rulebook on the depreciation of fixed assets which is recognized for tax purposes ("Official Gazette of RS", No. 93/2019), which results in effects on both current tax and deferred taxes (Note 18(c)).

**3.8. Impairment of Assets**

At each reporting date, the Company's management reviews the carrying amounts of its tangible assets in order to determine the indications of impairment. 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 the impairment loss. Where it is impossible to determine the recoverable value of an individual asset, the Company assesses the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount is based on the higher of net selling price and value in use. The estimate of the value in use comprises the assessment of future cash inflows and outflows discounted to their present value by applying the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable value. However, this is performed so that the increased carrying amount does not exceed the carrying value that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. As of December 31, 2021, in the assessment of the management, there were no test of impairment of the Company's property, plant and equipment.

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.9. Inventories**

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

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

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

**3.10. Equity Investments**

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

**3.11. 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:

- financial assets at amortized cost (AC),
- financial assets at fair value through the other comprehensive income (FVTOCI), and
- 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, 2021**

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.11. 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**

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

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**3.11. Financial Instruments (Continued)**

*Financial Assets (Continued)*

*(b) Cash and Cash Equivalents*

For the purposes of the cash flow statement, cash and cash equivalents include 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 it's 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.

**3.12. Provisions**

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

**3.13. Earnings per Share and Segment Reporting**

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

**NOTES TO THE FINANCIAL STATEMENTS**

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

**4. SUMMARY OF KEY ACCOUNTING ESTIMATES**

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

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

**4.1. Depreciation and Amortization Charge and Rates Applied**

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

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

The Company assessed that the residual value and useful economic life of its property amounted to EUR 4,800,000 and 33.33 years, respectively as of January 1, 2018. In addition, the Company's management reassessed the residual value of its property as of December 31, 2021 and found it unaltered.

Due to the significance of the non-current assets within the Company's total assets, the impact of any change in the aforesaid assumptions may be material to the Company's financial position as well as its financial performance. For instance, if the Company were to reduce the average useful life of non-current assets by 10%, this would have led to additional depreciation charge in FY 2021 of RSD 16,135 thousand (2020: RSD 17,792 thousand). If the Company were to reduce the residual value of its non-current assets by 10%, this would have resulted in additional depreciation charge in FY 2021 of RSD 1,693 thousand (2020: RSD 1,693 thousand).

**4.2. Impairment Allowance of Receivables**

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

Impairment allowance for bad and doubtful receivables is performed in accordance with the accounting policy explained under note 3.11 to the financial statements. In accordance with IFRS 9 it is not necessary that there is objective evidence for the credit loss to be recognized. Expected credit losses could be recognized, too, for not-impaired financial assets.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**4. SUMMARY OF KEY ACCOUNTING ESTIMATES (Continued)**

**4.3. Provisions for Litigations**

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

**4.4. Fair Value**

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

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

**5. INCOME FROM GOODS SOLD**

	<b>Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Sales of goods in domestic market:		
- sales of beverages	39,942	29,135
- sales of cigarettes	6,547	4,538
-other	220	-
	<u>46,709</u>	<u>33,673</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**6. INCOME FROM PRODUCTS SOLD AND SERVICES PROVIDED**

	Year Ended December 31, 2021	2020
- to related party, domestic (Note 36)	1,642	999
- in domestic market	821,744	438,168
	<u>823,386</u>	<u>439,167</u>

*Sales of products and services:*

	Year Ended December 31, 2021	2020
Sales of:		
- rooms	527,861	275,665
- food	218,474	104,768
- telephone and fax	192	74
- fitness club	31,687	31,515
- Internet	413	323
Parking and transport services	19,867	12,122
Laundry revenues	14,066	8,868
Dry cleaning and ironing services	1,200	822
Other income	9,626	5,010
	<u>823,386</u>	<u>439,167</u>

**7. OTHER OPERATING INCOME**

	Year Ended December 31, 2021	2020
Income from donations	52,295	51,826
Rental income from:		
- presentation hall	14,991	5,757
- business premises	17,385	7,529
- equipment	2,605	1,332
- stores	4,994	4,898
- other	7,702	7,290
Other operating income	1,262	390
	<u>101,234</u>	<u>79,022</u>

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**December 31, 2021**

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

**8. RAW MATERIAL COSTS, FUEL AND ENERGY COSTS**

	<b>Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
<i>Cost of material:</i>		
Cost of food	85,976	41,411
Small tools and fixtures	9,691	9,581
Cost of materials	22,908	15,345
Cost of materials used in regular maintenance	4,426	5,802
Water charge	4,590	3,808
	<u>127,591</u>	<u>75,947</u>
<i>Cost of fuel and energy:</i>		
Cost of fuel	351	906
Gas bills	19,970	17,912
Electricity bills	46,639	31,957
	<u>66,961</u>	<u>50,775</u>
	<u>194,552</u>	<u>126,722</u>

**9. SALARIES, WAGES AND OTHER PERSONAL INDEMNITIES**

	<b>Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Gross salaries and benefits	240,610	195,636
Payroll taxes and contributions charged to the employer	35,239	30,368
Vacation pay and jubilee awards	7,608	2,164
Considerations paid per service contracts	3,647	4,084
Considerations paid to seasonal and temporary employees	28,685	20,187
Remunerations to the members of the Company's governing and supervision bodies	6,223	2,551
Other staff costs	9,090	7,883
	<u>331,102</u>	<u>262,873</u>

**10. DEPRECIATION COSTS**

	<b>Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Depreciation and amortization charge:		
- intangible assets (Note 19)	3,534	3,923
- property, plant and equipment (Note 20)	145,211	156,211
	<u>148,745</u>	<u>160,134</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**11. PRODUCTION SERVICES COSTS**

	<b>Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Transportation services	4,212	3,272
Telecommunications and postage	2,955	1,967
Maintenance services	13,458	12,327
Software maintenance	23,145	18,526
Marketing and advertising	16,869	16,148
Public utility services	9,061	7,337
Other production services	9,741	7,115
	<u>79,441</u>	<u>66,692</u>

**12. PROVISION COSTS**

	<b>Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Provisioning charge for:		
- Retirement and other employee benefits (Note 29)	891	-
	<u>891</u>	<u>-</u>

**13. INTANGIBLE COSTS**

	<b>Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Security services	171	172
Tourist agency fees	13,274	10,028
Consultant services	3,890	5,749
Lawyer fees	2,189	438
Entertainment	4,433	2,117
Insurance premiums	5,659	6,212
Commissions:		
- gold passport	9,938	6,774
- bank commissions	1,297	1,035
- payment/credit cards	9,383	5,986
- other	225	132
Basic fees as per the Management Agreement (Note 36)	27,434	14,961
Incentive fees as per the Management Agreement (Note 36)	25,207	239
Other non-material expenses	13,429	15,108
Booking center costs	5,430	5,003
	<u>121,959</u>	<u>73,954</u>

Fees payable per the Management Agreement relate to the costs due to Hyatt International EAME. A portion of the cost of consultant services, in the amount of RSD 784 thousand, relate to the consultant services provided to the Company by Excelsior a.d., Beograd (Note 36).

**14. FINANCIAL INCOME**

	<b>Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Finance income from other related parties:		
- Interest income (Note 36)	7,170	8,677
- Foreign exchange gains (Note 36)	568	2,154
Interest income (from third parties)	-	795
Foreign exchange gains and positive currency clause effects (from third parties)	4,671	7,444
	<u>12,409</u>	<u>19,070</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**15. FINANCIAL EXPENSES**

	<b>Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Finance expenses from related parties:		
- Foreign exchange losses (Note 36)	1,016	345
	<u>1,016</u>	<u>345</u>
Interest expenses (to third parties)	8,253	7,096
Foreign exchange losses and negative currency clause effects (to third parties)	5,960	8,473
	<u>15,229</u>	<u>15,914</u>

**16. OTHER INCOME**

	<b>Year Ended December 31,</b>	
	<b>2021</b>	<b>2020</b>
Surpluses	7	8
Gains on the sale of equipment	1,425	597
Income from reversal of provision for retirement benefits (Note 29)	-	845
Other income	<u>256</u>	<u>192</u>
	<u>1,688</u>	<u>1,642</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**17. OTHER EXPENSES**

	Year Ended December 31, 2021	2020
Write-off of receivables	16	-
Other expenses	4,320	3,178
	<u>4,336</u>	<u>3,178</u>

**18. TAX EXPENSES FOR THE PERIOD**

**a) Components of Income Taxes**

	Year Ended December 31, 2021	2020
Current income tax expenses	(1,355)	-
Deferred income tax benefits	5,229	6,883
	<u>3,874</u>	<u>6,883</u>

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

	2021	2020
<b>Profit/(loss) before taxes</b>	<u>74,701</u>	<u>(353,796)</u>
Income tax at the statutory tax rate of 15%	11,205	(53,069)
Tax effects of expenses not recognized for tax purposes	134	13
Utilized tax loss of previous periods	(9,036)	-
Temporary differences arising on the values of the property, plant and equipment	5,274	6,833
Adjustment	1,526	53,106
Current income tax expense	9,103	-
Deferred income tax benefits	(5,229)	(6,883)
	<u>3,874</u>	<u>(6,883)</u>

**c) Deferred Tax Assets/Liabilities**

Deferred tax liabilities of RSD 72,101 thousand, net as of December 31, 2021 (December 31, 2020: RSD 77,330 thousand) relate to taxable temporary differences resulting from application of different amounts of property, equipment and intangible assets used for tax purposes and their reported amounts within the Company's balance sheet, as well as provisions for litigations.

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**18. TAX EXPENSES FOR THE PERIOD (Continued)**

**c) Deferred Tax Assets/Liabilities (Continued)**

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

	<b>2021</b>	<b>2020</b>
<b>Deferred tax liabilities</b>		
Balance at January 1	(98,064)	(104,947)
Recognized within the income statement (profit or loss):		
- temporary differences between depreciation/amortization for accounting and tax purposes	5,229	6,883
Balance at December 31	(92,835)	(98,064)
<b>Deferred tax assets</b>		
Balance at January 1	20,734	20,734
Recognized within the income statement (profit or loss):		
- expired tax credit carryforward (per capital expenditures)	-	-
Balance at December 31	20,734	20,734
<b>Deferred tax liabilities, net</b>	<b>(72,101)</b>	<b>(77,330)</b>

**d) Receivables for Prepaid Income Tax**

As of December 31, 2021, the Company reported receivables for prepaid income taxes in the amount of RSD 72,466 thousand (December 31, 2020 – RSD 47,820 thousand) (Note 24).

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**19. INTANGIBLE ASSETS**

	<b>Concessions, Patents, Licenses and Other Rights</b>	<b>Other Intangible Assets</b>	<b>Total</b>
<b>Cost</b>			
Balance at January 1, 2021	34,799	37,053	71,852
Additions	728	1,176	1,904
	<u>35,527</u>	<u>38,228</u>	<u>73,756</u>
Balance at December 31, 2021			
Balance at January 1, 2020	34,306	33,063	67,369
Additions	493	3,990	4,483
	<u>34,799</u>	<u>37,053</u>	<u>71,852</u>
Balance at December 31, 2020			
<b>Accumulated Amortization</b>			
Balance at January 1, 2021	32,241	27,894	60,135
Charge for the year (Note 10)	1,399	2,135	3,534
	<u>33,640</u>	<u>30,028</u>	<u>63,669</u>
Balance at December 31, 2021			
Balance at January 1, 2020	30,309	25,903	56,212
Charge for the year (Note 10)	1,932	1,991	3,923
	<u>32,241</u>	<u>27,894</u>	<u>60,135</u>
Balance at December 31, 2020			
<b>Net Book Value :</b>			
- at December 31, 2021	1,887	8,200	10,087
- at December 31, 2020	2,558	9,159	11,717

Based on the Company's management assessment, as of the reporting date, the impairment of intangible assets is not recognized.

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**20. IMMOVABLES, PLANTS AND EQUIPMENT**

	<b>Land</b>	<b>Buildings</b>	<b>Equipment</b>	<b>Investments in Progress, Advances Paid</b>	<b>Total</b>
<b>Cost</b>					
Balance at January 1, 2021	584,640	3,472,305	929,084	1,332	4,987,361
Additions			16,746	63,728	80,474
Transfers			742	(742)	-
Disposals			(8,323)		(8,323)
Balance at December 31, 2021	<u>584,640</u>	<u>3,472,305</u>	<u>938,249</u>	<u>64,318</u>	<u>5,059,512</u>
Balance at January 1, 2020	584,640	3,472,305	882,795	9,485	4,949,225
Additions	-	-	37,548	588	38,136
Transfers	-	-	8,741	(8,741)	-
Balance at December 31, 2020	<u>584,640</u>	<u>3,472,305</u>	<u>929,084</u>	<u>1,332</u>	<u>4,987,361</u>
<b>Accumulated Depreciation</b>					
Balance at January 1, 2021	-	2,166,946	715,063	-	2,882,009
Charge for the year (Note 10)	-	86,389	58,822	-	145,211
Disposals			(7,075)		(7,075)
Balance at December 31, 2021	<u>-</u>	<u>2,253,335</u>	<u>766,810</u>	<u>-</u>	<u>3,020,145</u>
Balance at January 1, 2020	-	2,080,557	645,241	-	2,725,798
Charge for the year (Note 10)	-	86,389	69,822	-	156,211
Balance at December 31, 2020	<u>-</u>	<u>2,166,946</u>	<u>715,063</u>	<u>-</u>	<u>2,882,009</u>
<b>Net Book Value :</b>					
- at December 31, 2021	<u>584,640</u>	<u>1,218,970</u>	<u>171,439</u>	<u>64,318</u>	<u>2,039,367</u>
- at December 31, 2020	<u>584,640</u>	<u>1,305,359</u>	<u>214,021</u>	<u>1,332</u>	<u>2,105,352</u>

As of December 31, 2021, the net book value of the Company's building assigned under mortgage instituted as collateral to securitize the repayment of borrowings amounted to RSD 1,218,969 thousand. In 2017 the Company repaid the loan in full, but the mortgage lien has remained registered with the Real Estate Cadaster and Lien Register, i.e., has not been removed until these financial statement issue date.

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**21. LONG-TERM FINANCIAL INVESTMENTS AND LONG-TERM RECEIVABLES**

	December 31, 2021	December 31, 2020
Equity investment in related party	666,189	666,189
Impairment of equity investment	(207,134)	(207,134)
	<u>459,055</u>	<u>459,055</u>
Long-term financial investments to the related party (Note 36)	249,892	249,897
Less: Current portion of the long-term investments (Note 25)	(129,374)	-
	<u>120,518</u>	<u>249,897</u>
Repurchased own shares	145,923	145,923
	<u>725,496</u>	<u>854,875</u>

On January 8, 2020 the Company bought 63.859 shares of Excelsior a.d., Beograd at 10,347 dinars per share, totaled RSD 666,189 thousand, including a transactional cost of RSD 5,440 thousand. After this transaction the Company became a 100% owner of Excelsior a.d., Beograd with an equity investment in the amount of RSD 666,189 thousand. As of December 31, 2020 the Company impaired this equity investment in the amount of RSD 207,134 thousand and recognized losses on the value adjustment of other assets at fair value through profit and loss. As of December 31, 2021 the recoverable value of equity investment in Excelsior a.d., Beograd amounted RSD 459,055 thousand.

As of December 31, 2021, the Company's long-term investments made to the related party totaling RSD 249,892 thousand (EUR 2,125,331) refer to a long-term loan the Company approved to a related party under the loan agreement executed on March 13, 2019, which stipulates that the maximum loan amount shall not exceed EUR 1,025,000 in RSD equivalent, translated at the exchange rate effective as of the loan approval date (RSD 120,518 thousand as of December 31, 2021). The EUR equivalent amount shall be used as the basis for calculation of the loan principal, interest, fee and other payments defined by the loan agreement. The loan repayment due date is April 1, 2024 and the interest rate applied equals 3.42% per annum. The purpose of the loan is early repayment of the loans due to commercial banks (refinancing). The collateral obtained comprises a mortgage lien assigned over a property registered on the cadastral lot no. 4939 and 10 blank promissory notes. Long-term loan in the amount of RSD 129,374 thousand (EUR 1,100,331) as of December 31, 2021 refers to a loan approved to the related party under the loan agreement executed on March 12, 2018, which stipulates that the maximum loan amount shall not exceed RSD 150 million in EUR equivalent, translated at the exchange rate effective as of the loan approval date. The EUR equivalent amount shall be used as the basis for calculation of the loan principal, interest, fee and other payments defined by the loan agreement. The loan repayment due date is April 1, 2020 and the interest rate applied equals 3.42% per annum. In accordance with the Annex of the loan agreement executed during 2020, the loan repayment date was extended up to December 31, 2022. The purpose of the loan is purchase of the shares from non-consenting shareholders and withdrawal of the related party's shares from the Belgrade Stock Exchange listing. The collateral obtained is a corporate guarantee provided by ETERIA ELLINIKON XENODOHEION LAMPSEA, Greece.

**NOTES TO THE FINANCIAL STATEMENTS**

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

**22. INVENTORIES**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Materials, spare parts, tools and fixtures		
- spare parts	13,160	11,824
- miscellaneous materials	4,713	5,345
- food	5,100	2,702
- fuel	974	556
- office supplies	2,907	3,152
- small tools and fixtures in use	1,715	-
	<u>28,569</u>	<u>23,579</u>
Goods:		
- drinks, beverages	7,889	6,397
- cigarettes	285	164
Goods in retail	984	390
	<u>9,158</u>	<u>6,951</u>
Advances paid to suppliers		
- domestic	3,498	4,278
- foreign	141	-
	<u>3,639</u>	<u>4,278</u>
	<u>41,366</u>	<u>34,808</u>

**23. RECEIVABLES FROM SALES**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Domestic trade receivables - related party (Note 36)	173	131
Domestic trade receivables	27,068	11,335
	<u>27,241</u>	<u>11,466</u>

**24. OTHER SHORT-TERM RECEIVABLES**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Interest receivables	15,847	8,677
Receivables from employees	768	599
Receivables for prepaid income tax (note 18(d))	72,466	47,820
Other current receivables	991	345
	<u>90,072</u>	<u>57,441</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**25. SHORT-TERM FINANCIAL INVESTMENTS**

	December 31, 2021	December 31, 2020
Current portion of long-term financial investments (Notes 21 and 36)	129,374	-
	129,374	-

**26. CASH AND CASH EQUIVALENTS**

	December 31, 2021	December 31, 2020
Current accounts in RSD	182,613	158,267
Cash on hand in RSD	457	260
Foreign currency accounts	13,768	13,054
Cash on hand in foreign currencies	235	235
Other cash funds	2,420	736
Short-term deposits maturing within 90 days	-	55
	<u>199,493</u>	<u>172,607</u>

**27. SHORT-TERM ACCRUED EXPENSES**

	December 31, 2021	December 31, 2020
Prepaid insurance costs	2,986	4,287
Prepaid software maintenance costs	1,143	1,228
Non-invoiced income receivables and other prepayments	11,763	4,763
	<u>15,892</u>	<u>10,278</u>

**28. EQUITY**

The structure of the Company's share capital as of December 31, 2021 and 2020 was as follows:

	December 31, 2021		December 31, 2020	
	RSD '000	%	RSD '000	%
Luella Enterprises Company, Cyprus	2,556,456	94.60	2,556,456	94.60
BMP a.d., Beograd	145,923	5.40	145,923	5.40
	<u>2,702,379</u>	100.00	<u>2,702,379</u>	100.00

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**28. EQUITY (Continued)**

Movements on the equity accounts during 2021 and 2020 were as follows:

	Share Capital	Reserves	Retained Earnings	Unrealized losses from financial assets and other elements of other comprehensive income	Accumulated Losses	Total	Repurchased own shares
Balance at January 1, 2021	2,702,379	361,669	1,180,315	-	(1,564,113)	2,680,249	(145,923)
Actuarial loss	-	-	-	(359)	-	(359)	-
Profit for the year	-	-	78,575	-	-	78,575	-
Balance at December 31, 2021	<u>2,702,379</u>	<u>361,669</u>	<u>1,258,890</u>	<u>(359)</u>	<u>(1,564,113)</u>	<u>2,758,466</u>	<u>(145,923)</u>
Balance at January 1, 2020	2,702,379	361,669	1,180,314	-	(1,217,950)	3,026,412	(145,923)
Loss for the year	-	-	-	-	(346,163)	(346,163)	-
Balance at December 31, 2020	<u>2,702,379</u>	<u>361,669</u>	<u>1,180,314</u>	<u>-</u>	<u>(1,564,113)</u>	<u>2,680,249</u>	<u>(145,923)</u>

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

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

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

	March 14, 2018		
	RSD '000	Share count	% Equity share
Luella Enterprises Company, Cyprus	2,556,456	7.726	94.60
BMP a.d. Beograd	145,923	441	5.40
	<u>2,702,379</u>	<u>8.167</u>	<u>100.00</u>

After the aforesaid date, there have been no changes to the ownership structure, so that it was the same as of December 31, 2021.

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**29. LONG-TERM PROVISIONS**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Provisions for:		
- retirement and other employee benefits	10,154	8,922
- Litigations	138,231	138,231
	<u>148,385</u>	<u>147,153</u>

Provisions for litigations totaling RSD 138,231 thousand as of December 31, 2021 (December 31, 2020: RSD 138,231 thousand) for the major part of RSD 135,955 thousand, refer to the legal proceedings in progress before the judicial bodies of the Republic of Serbia for determining the right to the monetary compensation to the former owners for the land expropriated, where the buildings of the Hyatt Hotel, NIS a.d., Novi Sad and Construction Company Rad, Belgrade were built (Note 39).

The Company had an independent actuary perform calculation of the present value of its liabilities for the employee retirement benefits as of December 31, 2021 in accordance with IAS 19, which amounted to RSD 10,154 thousand (December 31, 2020: RSD 8,922 thousand).

**30. LONG-TERM LIABILITIES**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Long-term borrowings, domestic	206,485	270,014
Less: Current portion of long-term borrowings (Note 32)	(63,533)	(63,533)
	<u>142,952</u>	<u>206,481</u>
Other long-term liabilities	1,192	3,534
	<u>144,144</u>	<u>210,015</u>

The Company's long-term borrowings totaling RSD 206,485 thousand as of December 31, 2021 relate to the long term-loan approved by Eurobank ad, Beograd in the amount of EUR 2,700,000 (with a currency clause index) on December 24, 2019 for the purchase of all shares of Excelsior ad, Beograd held by LAMPSA A.E. The loan was obtained at an interest rate equal to 3M EURIBOR plus 3.00% per annum, with a repayment period of 60 months. A loan repayment date was extended for three months, up to March 31, 2025 as a result of moratorium on loan repayment due to pandemic caused by COVID 19.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**31. SHORT-TERM PROVISIONS**

	December 31, 2021	December 31, 2020
Provisions for unused employee annual leaves (vacations)	4,714	-
	<u>4,714</u>	<u>-</u>

**32. SHORT-TERM FINANCIAL LIABILITIES**

	December 31, 2021	December 31, 2020
Current portion of long-term borrowings (Note 30)	63,533	63,533
	<u>63,533</u>	<u>63,533</u>

**33. PREPAYMENTS, DEPOSITS AND GUARANTEES**

	December 31, 2021	December 31, 2020
Advances received	13,189	11,962

**Trade payables**

Trade payables – related party, domestic (Note 36)	-	705
Trade payables – other foreign related parties, remunerations to the management (Note 36)	10,294	12,620
Domestic trade payables	6,210	4,958
Foreign trade payables	1,965	3,806
Other liabilities	-	1
	<u>18,469</u>	<u>22,090</u>

**34. OTHER SHORT-TERM LIABILITIES**

	December 31, 2021	December 31, 2020
Deferred taxes and contributions on salaries	10,304	24,216
Liabilities to employees	94	53
	<u>10,398</u>	<u>24,269</u>
Value added tax payable and other public revenues	6,186	1,350
	<u>16,584</u>	<u>25,619</u>

In accordance with the Regulation on procedure on deferred payment of taxes and contributions with the purpose of mitigation of economic consequences caused by COVID 19 (Official Gazette of the Republic of Serbia no. 156 on December 25, 2020) the Company deferred taxes and contributions on salaries in the FY 2020. As of December 31, 2021 deferred taxes and contributions on salaries amounts RSD 10,304 thousand.

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**34. OTHER SHORT-TERM LIABILITIES (continued)**

Value added tax payable amounting to RSD 5,442 thousand as of December 31, 2021 (December 31, 2020: RSD 1,087 thousand) entirely relate to the value added tax liabilities arising from the difference between the output and input VAT amounts.

**35. SHORT DEFERRED EXPENSES**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Accrued expenses for bonuses	3,840	-
Accrued electricity costs	4,562	2,364
Accrued gas costs	3,535	2,218
Accrued Gold Passport expenses	1,052	271
Accrued tourist agency expenses	977	366
Accrued HR activity expenses	1,345	767
Accrued other expenses	6,065	5,878
Deferred Fitness Club income	12,521	5,286
Deferred other income	4,906	3,443
	<u>38,803</u>	<u>20,593</u>

**36. RELATED PARTY DISCLOSURES**

In the normal course of business, the Company enters into transactions with its related parties (in addition to the majority and minority shareholders, related parties include member firms of the Lamps Hellenic Hotel Group). Relationships and transactions among the Company and its related parties are defined on a contractual basis and performed under market terms. As of December 31, 2021 and 2020 the balances of receivables and payables and related party transactions relate to the fees payable under the Management Agreement to Hyatt International EAME, interest income, foreign exchange gains and losses, trade receivables, long-term loan receivables and trade payables (management fees payable to Hyatt International EAME).

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**36. 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, 2021	December 31, 2020
<b>Long-term financial investments (Note 21)</b>		
- Excelsior a.d., Beograd	120,518	249,897
<b>Trade receivables (Note 23)</b>		
- Excelsior a.d., Beograd	173	131
<b>Short-term financial investments (Note 25)</b>		
- Excelsior a.d., Beograd	129,374	-
<b>Total receivables</b>	<b>250,065</b>	<b>250,028</b>
<b>Trade payables (Note 33)</b>		
- Hyatt International EAME	(10,294)	(12,620)
- Excelsior a.d., Beograd	-	(705)
	(10,294)	(13,325)
<b>Total liabilities</b>	<b>(10,294)</b>	<b>(13,325)</b>
<b>Receivables, net</b>	<b>239,771</b>	<b>236,703</b>

**b) Income Statement**

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

	2021	2020
<b>Sales of products and services (Note 6):</b>		
- Excelsior a.d., Beograd	1,642	999
<b>Finance income (Note 14)</b>		
- Hyatt International EAME	493	2,136
- Excelsior a.d., Beograd	7,245	8,695
<b>Total income</b>	<b>9,380</b>	<b>11,830</b>
<b>Non-material costs (Note 13)</b>		
- Hyatt International EAME	(52,641)	(15,200)
- Excelsior a.d., Beograd	(784)	(2,939)
<b>Finance expenses (Note 15)</b>		
- Hyatt International EAME	(936)	(309)
- Excelsior a.d., Beograd	(80)	(36)
<b>Total expenses</b>	<b>(54,441)</b>	<b>(18,484)</b>
<b>Expenses, net</b>	<b>(45,061)</b>	<b>(6,654)</b>

The Company calculated and paid remunerations to the members of the Board of Directors in the total amount of RSD 2,551 thousand, gross for the year ended December 31, 2021.

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**37. RECEIVABLES AND LIABILITIES RECONCILIATION**

The Company performed reconciliation of receivables from customers and liabilities to the creditors in accordance with the request of the Law on Accounting of the Republic of Serbia.

The reconciliation was performed for the balances as of December 31, 2021. There were no materialy significant non-reconciled balances.

**38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Capital Risk Management**

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

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

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Debt a)	207,677	273,548
Cash and cash equivalents	(199,493)	(172,607)
Net debt	<u>8,184</u>	<u>100,941</u>
Equity b)	<u>2,702,466</u>	<u>2,680,249</u>
Debt to equity ratio	<u>0,003</u>	<u>0,038</u>

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

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

**Significant accounting policies with reference to financial instruments**

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

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

**Categories of Financial Instruments**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Financial assets</b>		
Long-term financial investments	120,518	249,897
Short-term financial investments	129,374	-
Trade receivables	27,241	11,466
Other short-term receivables	90,072	57,441
Cash and cash equivalents	193,493	172,607
	<u>560,698</u>	<u>491,411</u>
<b>Financial liabilities</b>		
Trade payables	18,469	22,090
Long-term borrowings, domestic	142,952	206,481
Other long-term liabilities	1,192	3,534
Current portion of long-term borrowings	63,533	63,533
Other short-term liabilities	16,584	25,619
	<u>242,730</u>	<u>321,257</u>

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

**Financial Risk Management**

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

**Market Risk**

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

**Market Risk (Continued)**

**Foreign Currency Risk**

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

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

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

	<b>Assets</b>		<b>Liabilities</b>	
	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
EUR	273,612	266,136	207,525	270,662
USD	6,130	5,728	6,862	14,892
	<u>279,742</u>	<u>271,864</u>	<u>214,387</u>	<u>285,554</u>

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
EUR	6,608	(1,248)
USD	(73)	476
Impact on the current year's P&L	<u>6,535</u>	<u>(772)</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

**Market Risk (Continued)**

***Interest Rate Risk***

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

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>Financial assets</b>		
<b><i>Non-interest bearing</i></b>		
Trade receivables	27,241	11,466
Other short-term receivables	90,072	57,441
Cash and cash equivalents	199,493	172,607
	<u>316,806</u>	<u>241,514</u>
<b><i>Fixed interest rates</i></b>		
Short-term financial investments	129,374	-
Long-term financial investments	120,518	249,897
	<u>249,892</u>	<u>249,897</u>
	<u>566,698</u>	<u>491,411</u>
<b>Financial liabilities</b>		
<b><i>Non-interest bearing</i></b>		
Trade payables	18,469	22,090
Other short-term liabilities	16,584	25,619
Other long-term liabilities	1,192	3,534
	<u>36,245</u>	<u>51,243</u>
<b><i>Fixed interest rates</i></b>		
Long-term borrowings, domestic	142,952	206,481
Current portion of long-term borrowings	63,533	63,533
	<u>206,485</u>	<u>270,014</u>
	<u>242,730</u>	<u>321,257</u>

**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.

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

**Credit Risk (continued)**

***Managing Trade Receivables (continued)***

The Company's most significant customers are presented below:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Bechtel Limited branch Beograd, Beograd	8,145	-
City Records д.о.о., Београд	7,296	4,924
Hotzone Solutions Group,	2,243	-
Lufthansa City Line GmbH, Köln, Germany	-	2,341
Институт Михајло Пупин, Београд	627	1,153
Prima Market	-	572
Football Association of Serbia	859	-
World of Hytt Award	761	225
Hyatt International Corporation	752	260
Other customers	6,558	1,991
	<u>27,241</u>	<u>11,466</u>
Less: Allowance for impairment of trade receivables	<u>-</u>	<u>-</u>
	<u><u>27,241</u></u>	<u><u>11,466</u></u>

Breakdown of the Company's trade receivables as of December 31, 2021 is presented in the following table:

	<b>Gross Exposure</b>	<b>Impairment Allowance</b>	<b>Net Exposure</b>
Trade receivables, not matured	4,597	-	4,597
Trade receivables, matured and provided for	-	-	-
Trade receivables, matured but not provided for	22,644	-	22,644
	<u>27,241</u>	<u>-</u>	<u>27,241</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**38. 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:

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

*Trade receivables, not matured*

Trade receivables, not matured totaling RSD 4,579 thousand as of December 31, 2021 (December 31, 2020: RSD 3,762 thousand) mainly relate to receivables from the sales of services in the last week of 2020. These receivables mainly mature within 7 days from the invoice date, depending on the contractual terms of payment. The average days sales outstanding in 2021 counted 8 days (2020: 14 days).

*Trade receivables, matured and provided for*

During 2021 and 2020, no additional allowances were charged..

*Trade Receivables, matured but not provided for*

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

	December 31, 2021	December 31, 2020
Less than 30 days past due	4,597	3,325
From 31 to 90 days past due	14,193	2,997
From 91 to 180 days past due	6,527	1,382
From 181 to 365 days past due	945	-
Over a year past due	979	-
	<u>27,241</u>	<u>7,704</u>

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**38. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

**Credit Risk (continued)**

***Managing Trade Payables***

The Company's trade payables are stated as amounting to RSD 18,469 thousand as of December 31, 2021 (December 31, 2020: RSD 22,090 thousand). Suppliers do not charge penalty (default) interest on outstanding liabilities, whereas the Company settled its dues to suppliers within the agreed terms, in accordance with the financial risk management policies in place.

**Liquidity Risk**

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

***Liquidity Risk and Credit Risk Tables***

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

***Maturities of Financial Assets***

	December 31, 2021				
	Within 1 Month	From 1 to 3 Months	3 Months to 1 Year	From 1 to 5 Years	Over 5 years
					Total
Non-interest bearing	294,162	14,193	7,472	979	316,806
Fixed interest rate					
- principal			129,374	120,518	249,892
- interest	609	1,159	5,402	4,320	11,490
	<u>294,771</u>	<u>15,352</u>	<u>142,248</u>	<u>125,817</u>	<u>578,188</u>
	December 31, 2020				
	Within 1 Month	From 1 to 3 Months	3 Months to 1 Year	From 1 to 5 Years	Over 5 years
					Total
Non-interest bearing	237,136	2,997	1,381	-	-
Fixed interest rate					
- principal	-	-	-	249,897	-
- interest	736	1,401	6,528	10,506	-
	<u>237,872</u>	<u>4,398</u>	<u>7,909</u>	<u>260,403</u>	<u>510,582</u>



**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**39. LITIGATION**

***Provisions for Litigations***

As of December 31, 2021 the Company was involved in several legal suits on various grounds. The aggregate amount claimed in the legal suits filed against the Company totaled RSD 294,057 thousand as of December 31, 2021, excluding any penalty interest. As of December 31, 2019 based on the opinion of the attorneys and management's estimate, the Company made a provision of RSD 138,231 thousand which remained unchanged as of December 31, 2021.

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

Administrative proceedings for the compensation to the former owners of the confiscated land on which the Hyatt Hotel, NIS and Rad buildings were built was finalized before the Commission for the proceedings and deciding on the restitution of the land of the Municipality New Belgrade (the "Commission"). The Commission's first-instance Resolution dated March 19, 2013 confirmed the Company's obligation to pay the compensation to the former owners for the commensurate portion of the land used of 2,111 m<sup>2</sup>. As the second-instance authority, the RS Ministry of Finance rejected the Company's appeal to the aforesaid Resolution on September 9, 2013. On October 24, 2013 the Company filed a suit to the Administrative Court against the second-instance Resolution of the Ministry of Finance, which was rejected by the Administrative Court in its Ruling dated December 9, 2014. As the only remaining remedy, the Company appealed to the Constitutional Court of the Republic of Serbia on January 22, 2015. Under Decision enacted by the Third Basic Court in Belgrade on March 4, 2019, the consideration for half of the expropriated land, belonging to one of the owners, was set in the amount of RSD 69,115,459, which shall be paid in equal quarterly installment within 10 years as from the expiration date of a year from the court decision finality date. The first-instance court determined the consideration amount based on the report of the Tax Administration dated June 9, 2016, where it is stated that the market value of the land at hand was RSD 65,481.25 per square meter. On May 16, 2019, the Company filed an appeal against the aforesaid Decision with a competent second-instance court. Accordingly, the Company made a provision for a loss contingent on this lawsuit of RSD 138,231 thousand (the amount of the consideration at the market value as determined by the Tax Administration for the total land area). It was established that one of the former land owners passed away in 2011, so the proceedings were discontinued for this litigant. Given that the litigation has not yet been resolved and that the Company made a provision based on the determined market value of the land at issue, the management believes that the provision made is sufficient and that the Company will have no other significant contingent liabilities in this respect.

Legal proceedings totaling RSD 130,986 thousand have been filed against the Company by two former employees (the "Plaintiffs") over payment of compensation for termination of employment and based on non-competition clause. The Company holds that employment of the Plaintiffs was terminated in accordance with the Labor Law, since the Plaintiffs refused to continue employment with the Company. In addition, in the management's opinion, the Plaintiffs are exempt from the prohibition to perform competitive activities in accordance with the executed Employment Contracts. Based on the report of the expert finance valuer, the Company filed countersuits against the Plaintiffs claiming damages incurred based on the Plaintiffs' unjustified receipt of funds from the Company. Given the early stage of the aforesaid labor lawsuits, and the fact that there are countersuits filed, the management believes that no provisions need be made for losses contingent on these lawsuits in the financial statements for 2021.

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**40. TAXATION RISKS**

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

**41. EVENTS AFTER THE REPORTING PERIOD**

There were no significant events after the reporting period which should be disclosed in the notes to the accompanying separate financial statements of the Company for the FY 2021.

At the beginning of March 2022 due to the conflict in Ukraine an increased instability on global financial and goods market was recognized, followed by the sanctions against the certain russian companies and individuals. The Company is in a process of assessment of direct and indirect impact of russian-ukraine conflict on it's operations.

Up to the issue date of these separate financial statements, there were no any consequences on the Company's operations, but at this stage management is not able to reliably estimate the future impact. The Company's management constantly follows and assess the potential effects of the new situation and prepare all necessary measures in order to continues with it's operations on a going concern basis.

**42. 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:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>
EUR	117,5821	117.5802
USD	103,9262	95.6637

In Belgrade March, 24, 2022

.....  
Anastasios Chomenidis  
The president approves the director

.....  
Jelena Edelman  
Member of the Board of Directors

M.P.

## **APPENDIX 1**

**Appendix 1**

**INCOME STATEMENT**

**Year Ended December 31, 2021**  
**(Thousands of EUR)**

	<b>2021</b>	<b>2020</b>
<b>Operating income</b>		
Sales of goods sold to domestic customers	397	286
Sales of products and services to domestic parent companies and subsidiaries	14	8
Sales of products and services to domestic customers	6,989	3,727
Income from premiums, subsidies, grants, donations and similar	445	441
Other operating income	416	231
	<u>8,261</u>	<u>4,693</u>
<b>Operating expenses</b>		
Cost of commercial goods sold	(116)	(83)
Cost of materials	(1,085)	(646)
Cost of fuel and energy	(570)	(432)
Staff costs	(2,816)	(2,236)
Cost of production services	(676)	(567)
Depreciation/amortization charge	(1,265)	(1,362)
Long-term provisions	(8)	-
Non-material costs	(1,037)	(629)
	<u>(7,573)</u>	<u>(5,955)</u>
<b>Profit /(Loss) from operations</b>	<u>688</u>	<u>(1,262)</u>
<b>Finance income</b>		
Finance income from other related parties	66	92
Interest income (from third parties)	-	7
Foreign exchange gains and positive currency clause effects (to third parties)	40	63
	<u>106</u>	<u>162</u>
<b>Finance expenses</b>		
Finance expenses incurred with other related parties	(9)	(3)
Interest expenses (to third parties)	(70)	(60)
Foreign exchange losses and negative currency clause effects (to third parties)	(51)	(72)
	<u>(130)</u>	<u>(135)</u>
<b>(Loss)/Profit from financing activities</b>	<u>(24)</u>	<u>27</u>
Losses on the value adjustment of other assets at fair value through profit and loss	-	(1,762)
Other income	14	14
Other expenses	(37)	(27)
<b>Profit /(Loss) from continuing operations before taxes</b>	<u>641</u>	<u>(3,010)</u>
Net (loss)/profit from discontinued operations, effects of changes in the accounting policies and prior years' error adjustment	(7)	6
Current income tax expense	(12)	-
Deferred tax benefits	44	59
<b>NET PROFIT /(LOSS) FOR THE YEAR</b>	<u>666</u>	<u>(2,945)</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, 2021 and 2020 was performed using the following average exchange rates:

- 2021: 117,5736
- 2020: 117,5780

## **APPENDIX 2**

**NOTES TO THE FINANCIAL STATEMENTS**

**December 31, 2021**

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

**Appendix 2**

**BALANCE SHEET**

**As of December 31, 2021**

**(Thousands of EUR)**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>ASSETS</b>		
<b>Non-current assets</b>	23,594	25,269
<b><i>Intangible assets</i></b>	86	100
Concessions, patents, licenses, trademarks, software and other rights	16	22
Other intangible assets	70	78
 <b><i>Property, plant and equipment</i></b>	 17,344	 17,905
Land	4,972	4,972
Buildings	10,367	11,102
Plant and equipment	1,458	1,820
Advances paid for property, plant and equipment	547	11
 <b><i>Long-term financial investments</i></b>	 6,164	 7,264
Equity investments	3,904	3,904
Long-term financial investments in parent companies and other subsidiaries	1,025	2,125
Treasury shares purchased	1,235	1,235
 <b>Current assets</b>	 4,281	 2,437
<b><i>Inventories</i></b>	352	296
Materials, spare parts, small tools and fixtures	243	201
Goods	78	59
Advances paid for inventories and services	31	36
 <b><i>Trade receivables</i></b>	 231	 97
Domestic – parent companies and subsidiaries	1	1
Domestic	230	96
 Other receivables	766	489
 <b><i>Short-term financial investments</i></b>		
Other short-term financial investments	1,100	-
 Cash and cash equivalents	1,697	1,468
Prepayments	135	87
 <b>Total assets</b>	 <b>27,875</b>	 <b>27,706</b>

(Continued)

**Appendix 2 (continued)**

**BALANCE SHEET (Continued)**  
**As of December 31, 2021**  
**(Thousands of EUR)**

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>	<b>23,453</b>	<b>22,789</b>
Share capital	30,860	30,860
Reserves	4,476	4,476
Current year's retained earnings /(loss)	666	(2,945)
Prior years' retained earnings	11,308	11,308
Prior years' accumulated losses	(13,655)	(10,710)
Actuarial loss	(3)	-
Translation reserves	(10,199)	(10,200)
<b>Non-current provisions and liabilities</b>	<b>2,488</b>	<b>3,038</b>
Provisions for retirement and other employee benefits	86	76
Provisions for litigations	1,176	1,176
Long-term borrowings, domestic	1,216	1,756
Other long-term liabilities	10	30
<b>Deferred tax liabilities</b>	<b>613</b>	<b>658</b>
<b>Current liabilities</b>		
<b>Short-term financial liabilities</b>	<b>580</b>	<b>540</b>
Short-term provisions	40	-
Other short-term financial liabilities	540	540
Advances, deposits and retainers received	112	102
<b>Trade payables</b>	<b>158</b>	<b>187</b>
Domestic – parent company and subsidiaries	-	6
Foreign – other related parties	88	107
Domestic	53	42
Foreign	17	32
Other current liabilities	88	206
Value added tax payable and other taxes and duties payable	53	11
Income tax liabilities	-	-
Accruals	330	175
<b>Total equity and liabilities</b>	<b>27,875</b>	<b>27,706</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, 2021 and 2020 was performed using the following rates:

- Balance Sheet items at December 31, 2021 except for the share capital, revaluation reserves and net profit were translated using the closing rate: 117.5821
- 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
- Share capital at December 31, 2021 and December 31, 2020 was translated using the historical exchange rate: 87.569
- Treasury shares purchased at December 31, 2020 was translated using the exchange rate at the date of transaction: 118.20
- Revaluation reserves at December 31, 2021 and December 31, 2020 were translated using the exchange rate at the date of revaluation of property, plant and equipment: 80.8018.
- Net profits/(loss) for the years ended December 31, 2021 and December 31, 2020 were translated using the average exchange rate for 2021 and 2020: 117.5736 and 117.5780.