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

Financial Statements
Year Ended December 31, 2013 and
Independent Auditors' Report

Translation of the Auditors' Report issued in the Serbian language

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of the Hotel Shareholding Company "Beogradsko Mešovito Preduzeće" a.d., Belgrade

We have audited the accompanying financial statements (pages 3 to 34) of Beogradsko Mešovito Preduzeće a.d., Belgrade (the "Company"), which comprise the balance sheet as of December 31, 2013, and the related income statement, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and the Law on Audit of the Republic of Serbia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Beogradsko Mešovito Preduzeće a.d., Belgrade as of December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with the accounting regulations of the Republic of Serbia.

Emphasis of Matter

We draw attention to Note 28 to the financial statements disclosing that as of December 31, 2013 the legal suits filed against the Company amounted to RSD 250,552 thousand excluding any penalty interest that could be charged upon completion of the proceedings. The Company did not make provisions for potential losses that may arise from the aforesaid legal suits given the fact that, although the outcome of the lawsuits cannot be predicted with certainty and taking into account the early stage of certain lawsuits, management believes that the Company will not be exposed to material losses thereof. Our opinion is not modified in respect of this matter.

(Continued)

Translation of the Auditors' Report issued in the Serbian language

INDEPENDENT AUDITORS' REPORT

To the Shareholders of the Hotel Shareholding Company "Beogradsko Mešovito Preduzeće" a.d., Belgrade (Continued)

Report on Other Requirements

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

Other Matter

The financial statements of Beogradsko Mešovito Preduzeće a.d., Belgrade as of and for the year ended December 31, 2012 were audited by another auditor, whose report dated Mach 28, 2013 expressed an unqualified opinion thereon.

Belgrade, March 15, 2014

Žarko Mijović
Certified Auditor

INCOME STATEMENT
Year Ended December 31, 2013
(Thousands of RSD)

	Note	2013	*Audited by Another Auditor* 2012
OPERATING INCOME			
Sales revenues	5	1,229,873	1,332,661
Other operating income	6	47,324	53,831
		1,277,197	**1,386,492**
OPERATING EXPENSES			
Cost of goods	7	(17,055)	(18,445)
Cost of materials	7	(193,793)	(201,911)
Staff costs	8	(302,144)	(348,386)
Depreciation, amortization and provisions	9	(173,526)	(181,940)
Other operating expenses	10	(329,482)	(351,778)
		(1,016,000)	(1,102,460)
PROFIT FROM OPERATIONS		**261,197**	**284,032**
Finance income	11	114,906	148,115
Finance expenses	11	(114,149)	(253,863)
Other income	12	7,258	14,586
Other expenses	12	(2,362)	(6,605)
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXES		**266,850**	**186,265**
INCOME TAXES			
Current income tax expense	13	(34,344)	(13,304)
Deferred tax benefit/(expense)	13	10,113	(1,746)
NET PROFIT		**242,619**	**171,215**

BALANCE SHEET
As at December 31, 2013
(Thousands of RSD)

	Note	December 31, 2013	*Audited by Another Auditor* December 31, 2012
ASSETS			
Non-current assets			
Intangible assets	15	26,315	24,845
Property, plant and equipment	14	2,636,671	2,743,348
		2,662,986	2,768,193
Current assets			
Inventories	16	33,708	38,308
Accounts receivable	17	29,247	30,284
Short-term financial investments		25	161
Cash and cash equivalents	18	291,759	138,763
Value added tax and prepayments	19	11,958	32,003
		366,697	239,519
Total assets		**3,029,683**	**3,007,712**
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	20	2,702,379	2,702,379
Reserves		361,669	361,669
Retained earnings		413,834	171,215
Loss		(1,217,950)	(1,217,951)
		2,259,932	**2,017,312**
Long-term provisions and liabilities			
Long-term borrowings	21	401,135	621,346
Other long-term liabilities	22	1,604	2,809
		402,739	**624,155**
Current liabilities			
Short-term financial liabilities	23	164,535	170,332
Accounts payable	24	19,057	12,790
Other current liabilities		65	86
Value added tax and other public duties payable and accruals	25	49,439	54,456
Income taxes payable		16,039	590
		249,135	**238,254**
Deferred tax liabilities		117,877	127,991
Total equity and liabilities		**3,029,683**	**3,007,712**

STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2013
(Thousands of RSD)

	Share Capital	Revaluation Reserves	Retained Earnings	Loss	Total
Audited by Another Auditor					
Balance, January 1, 2012	2,702,379	361,669	143,799	(1,308,546)	1,899,301
Opening balance adjustment	-	-	-	(53,204)	(53,204)
Balance, January 1, 2012, adjusted	2,702,379	361,669	143,799	(1,361,750)	1,846,097
Profit for the year	-	-	171,215	-	171,215
Transfers	-	-	(143,799)	143,799	-
Balance, December 31, 2012	2,702,379	361,669	171,215	(1,217,951)	2,017,312
Balance, January 1, 2013	2,702,379	361,669	171,215	(1,217,951)	2,017,312
Profit for the year	-	-	242,619	-	242,619
Other	-	-	-	1	1
Balance, December 31, 2013	2,702,379	361,669	413,834	1,217,950	2,259,932

CASH FLOW STATEMENT
Year Ended December 31, 2013
(Thousands of RSD)

	2013	*Audited by Another Auditor* 2012
Cash flows from operating activities		
Cash receipts from customers	1,376,603	1,435,211
Interest received	1,756	1,768
Other receipts from operations	49,051	53,831
Cash paid to suppliers	(566,682)	(578,780)
Cash paid to and on behalf of employees	(302,144)	(348,386)
Interest paid	(22,878)	(33,769)
Income taxes paid	(18,895)	(12,714)
Other public duties paid	(101,795)	(107,354)
Net cash generated by operating activities	**415,016**	**409,807**
Cash flows from investing activities		
Other financial investments, net inflows	136	12,557
Purchase of property, plant and equipment	(68,674)	(63,942)
Net cash used in investing activities	**(68,538)**	**(51,385)**
Cash flows from financing activities		
Long-term and short-term liabilities, net inflows	6,267	-
Other long-term and short-term borrowings (net outflows)	(202,669)	(310,097)
Financial leasing (net outflows)	(1,289)	(2,809)
Net cash used in financing activities	**(197,691)**	**(312,906)**
Net increase in cash and cash equivalents	**148,787**	**45,516**
Cash and cash equivalents, beginning of year	**138,763**	**98,411**
Foreign exchange gains/(losses) on translation of cash	**4,209**	**(5,164)**
Cash and cash equivalents, end of year	**291,759**	**138,763**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013
All amounts expressed in thousands of RSD, unless otherwise stated.

1. FOUNDATION AND ACTIVITY

The Hotel Shareholding Company Beogradsko Mešovito Preduzeće a.d., Belgrade (the "Company") was founded pursuant to the Articles of incorporation executed on April 14, 1989 by and between North Haven Limited, Hong Kong (holding a 93.94% equity interest) and two domestic companies (holding jointly the remaining 6.06% equity interest). Until 2006 North Haven Limited, Hong Kong was owned by Hyatt International Holdings Co., domiciled in the USA. As of June 6, 2006 Hyatt International Holdings Co., sold its equity interest in North Haven Limited, Hong Kong to Luella Enterprises Company Limited, Nicosia, owned by Lampsa Hellenic Hotel Company S.A., Athens. The Company was registered and entered into the Court Registry under Decision of the District Court of Belgrade no. Fi 4224/89 dated October 10, 1998. 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 pursuant to the Company Law.

The Company's principal activity is accommodation and catering 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 ID registry number is 07456263.

As of December 31, 2013, the Company had 192 employees (December 31, 2012: 199 employees).

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

2.1. Basis of Preparation and Presentation of Financial Statements

Legal entities and entrepreneurs incorporated in Serbia are required to maintain their books of account, to recognize and value assets and liabilities, income and expenses, and to present, submit and disclose financial statements in conformity the Law on Accounting (hereinafter referred as: the "Law", Official Gazette of the Republic of Serbia no. 63/2013). As a large entity, the Company is obligated to apply International Financial Reporting Standards ("IFRS"), which as per the aforementioned law comprise the following: the Framework for the Preparation and Presentation of Financial Statements (the "Framework"), International Accounting Standards ("IAS"), International Financial Reporting Standards ("IFRS"), as well as the related interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and additional related interpretations issued by International Accounting Standards Board ("IASB"), the translations of which to the Serbian language were approved and issued by the competent Ministry of Finance and which were in effect as at December 31, 2002.

The amendments to IAS, as well as the newly issued IFRS and the related interpretations issued by the IASB and the IFRIC, in the period between December 31, 2002 and January 1, 2009, were officially adopted pursuant to a Decision enacted by the Ministry of Finance of the Republic of Serbia (the "Ministry") and published in the Official Gazette of the Republic of Serbia no. 77 of October 25, 2010.

However, until the preparation date of the accompanying financial statements, not all amendments to IAS/IFRS and IFRIC in effect for annual periods beginning on or after January 1, 2009 had been translated. In addition, the accompanying financial statements are presented in the format prescribed under the "Guidelines on the Prescribed Form and Content of the Financial Statements of Enterprises, Cooperatives and Entrepreneurial Ventures" (Official Gazette of the Republic of Serbia no. 114/2006, 5/2007 – corrected, 119/2008, 2/2010, 101/2012 and 118/2012). Such statements represent the complete set of financial statements as defined under the law, which differ from those defined under the provisions of IAS 1, "Presentation of Financial Statements", and differ in some respects from the presentation of certain items as required under the aforementioned standard.

Standards and interpretations in issue but not yet officially translated and adopted and standards and interpretations in issue but not yet in effect are disclosed in Notes 2.2 and 2.3.

In addition, the accounting regulations of the Republic of Serbia depart from IFRS for the following:

- Pursuant to the opinion of the Ministry, employee share in profit is recorded as a decrease of retained earnings and not as charged to the current period result as required by IAS 19 "Employee Benefits".

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

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

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

The 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.

The Company's financial statements are stated in thousands of dinars (RSD). The dinar is the official reporting currency in the Republic of Serbia.

2.2. Standards and Interpretations in Issue but not yet Translated and Adopted

As of the financial statements issuance date, the following standards and amendments were issued by the International Accounting Standards Board and Interpretations issued by the International Financial Reporting Interpretations Committee, but were not officially adopted and translated in the Republic of Serbia:

- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Amendments improving fair value and liquidity risk disclosures (revised in March 2009, effective for annual periods beginning on or after January 1, 2009);
- Amendments to IFRS 1 "First-Time Adoption of IFRS" – Additional Exemptions for First-Time Adopters. The amendments relate to assets in oil and gas industry and determining whether an arrangement contains a lease (revised in July 2009, effective for annual periods beginning on or after January 1, 2010);
- Amendments to various standards and interpretations resulting from the Annual Quality Improvement Project of IFRS published on April 16, 2009 (IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36, IAS 39, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, (amendments are to be applied for annual periods beginning on or after January 1, 2010, while the amendment to IFRIC is to become effective as of July 1, 2009);
- Amendments to IAS 38 "Intangible Assets" (revised in July 2009, effective for annual periods beginning on or after July 1, 2009);
- Amendments to IFRS 2 "Share-Based Payment" – Amendments resulting from the Annual Quality Improvement Project of IFRS (revised in April 2009, effective for annual periods beginning on or after July 1, 2009) and amendments relating to group cash-settled share-based payment transactions (revised in June 2009, effective for annual periods beginning on or after January 1, 2010);
- Amendments IFRIC 9 "Reassessment of Embedded Derivatives" effective for annual periods beginning on or after July 1, 2009 and IAS 39 "Financial Instruments: Recognition and Measurement" – Embedded Derivatives (effective for annual periods beginning on or after June 30, 2009);
- IFRIC 18 "Transfers of Assets from Customers" (effective for annual periods beginning on or after July 1, 2009);
- "Conceptual Framework for Financial Reporting 2010" being an amendment to "Framework for the Preparation and Presentation of Financial Statements" (effective for transfer of assets from customers received on or after September 2010);
- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after July 1, 2010);

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

2.2. Standards and Interpretations in Issue but not yet Translated and Adopted (Continued)

- Amendments to IAS 24 “Related Party Disclosures” – Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (effective for annual periods beginning on or after January 1, 2011);

- Amendments to IAS 32 “Financial Instruments: Presentation” – Accounting for Rights Issues (effective for annual periods beginning on or after February 1, 2010);

- Amendments to various standards and interpretations “Improvements to IFRSs (2010)” resulting from the Annual quality improvement project of IFRS published on May 6, 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13) primarily with a view to removing inconsistencies and clarifying wording (most amendments are to be applied for annual periods beginning on or after January 1, 2011);

- Amendments to IFRIC 14 “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction” – Prepayments of a Minimum Funding Requirement (effective for annual periods beginning on or after January 1, 2011);

- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments” (effective for annual periods beginning on or after July 1, 2010);

- Amendments to IFRS 1 “First-Time Adoption of IFRS” – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after July 1, 2011);

- Amendments to IFRS 7 “Financial Instruments: Disclosures” – Transfers of Financial Assets (effective for annual periods beginning on or after January 1, 2011);

- Amendments to IAS 12 “Income Taxes” – Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after January 1, 2012);

- IFRS 10 “Consolidated Financial Statements” (effective for annual periods beginning on or after January 1, 2013);

- IFRS 11 “Joint Arrangements” (effective for annual periods beginning on or after January 1, 2013);

- IFRS 12 “Disclosures of Involvement with Other Entities” (effective for annual periods beginning on or after January 1, 2013);

- IFRS 13 “Fair Value Measurement” (effective for annual periods beginning on or after January 1, 2013);

- IAS 27 (revised in 2011) “Separate Financial Statements” (effective for annual periods beginning on or after January 1, 2013);

- IAS 28 (revised in 2011) “Investments in Associates and Joint Ventures” (effective for annual periods beginning on or after January 1, 2013);

- Amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards” – Government Loans with a Below-Market Rate of Interest (effective for annual periods beginning on or after January 1, 2013);

- Amendments to IFRS 7 “Financial Instruments: Disclosures” – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2013);

- Amendments to IFRS 10, IFRS 11 and IFRS 12 “Consolidated Financial Statements, Joint Arrangements and Disclosures of Involvement with Other Entities: Transition Guidance” (effective for annual periods beginning on or after January 1, 2013);

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

2.2. Standards and Interpretations in Issue but not yet Translated and Adopted (Continued)

- Amendments to IAS 1 “Presentation of Financial Statements” – Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after July 1, 2012);

- Amendments to IAS 19 “Employee Benefits” – Improvements to the Accounting for Post-Employment Benefits (effective for annual periods beginning on or after January 1, 2013);

- Amendments to various standards “Improvements to IFRSs (2009-2011 Cycle)” issued in May 2012, resulting from the annual improvement project of IFRS (IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after January 1, 2013);

- IFRIC 20 “Stripping Costs in the Production Phase of a Surface Mine” (effective for annual periods beginning on or after January 1, 2013).

2.3. Standards and Interpretations in Issue but not yet in Effect

At the date of issuance of these financial statements the following standards, revisions and interpretations were in issue but not yet effective:

- IFRS 9 “Financial Instruments” and subsequent amendments (effective date was not yet determined);

- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after January 1, 2016);

- Amendments to IFRS 10, IFRS 12 and IAS 27 - Exemption from Consolidation of Subsidiaries under IFRS 10 “Consolidated Financial Statements” (effective for annual periods beginning on or after January 1, 2014);

- Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions Statements” (effective for annual periods beginning on or after July 1, 2014);

- Amendments to IAS 32 “Financial Instruments: Presentation” – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2014);

- Amendments to IAS 36 “Impairment of Assets” - Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 1, 2014);

- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” - Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after January 1, 2014);

- Amendments resulting from Annual Improvements 2010-2012 Cycle issued in December 2013 (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after July 1, 2014);

- Amendments resulting from Annual Improvements 2011-2013 Cycle issued in December 2013 (IFRS 1, IFRS 3, IFRS 13 and IAS 40) with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after July 1, 2014);

- IFRIC 21 “Levies” (effective for annual periods beginning on or after January 1, 2014).

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

2.4. Use of Estimates

The presentation of the financial statements requires the Company's management to make best estimates and reasonable assumptions that influence the assets and liabilities amounts, the disclosure of contingent liabilities and receivables as of the date of preparation of the financial statements, as well as the income and expenses arising during the accounting period. These estimations and assumptions are based on historical experience and other information available as of the date of preparation of the financial statements.

Basic assumptions relating to the future events and other significant sources of uncertainties in rendering an estimate as of the statement of financial position date, which bears the risk that may lead to significant restatement of the carrying value of assets and liabilities in the ensuing financial year are presented in the following passages.

2.4.1. Depreciation and Amortization Charge and Rates Applied

The calculation of depreciation and amortization charge, as well as depreciation and amortization rates, is based on the economic useful life of property, equipment and intangible assets. Once a year, the Company assesses the economic useful life based on the current estimates.

2.4.2. Impairment Allowance of Receivables

Impairment for bad and doubtful receivables is calculated based on estimated losses resulting from the inability of customers to settle the liabilities to the Company when due. The management estimates are based on the aging of accounts receivable balance and historical write-off experience, customer credit-worthiness and changes in customer payment terms when evaluating the adequacy of the impairment allowance of doubtful receivables. This involves assumptions about future customer behavior and the resulting future collections. The management believes that no additional impairment allowance is required in excess of the allowance already recognized in these financial statements.

2.5. 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 than their recorded 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 of this, fair value cannot readily or reliably be determined in the absence of an active market. The Company's management assesses its overall risk exposure, and in instances in which it estimates that the value of assets stated in its books may not have been realized, it recognizes a provision. In the opinion of management, the reported carrying amounts are the most valid and useful reporting values under the present market conditions.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. 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. Non-monetary items are translated into dinars at the official middle exchange rate effective as at the transaction date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1. Foreign Exchange Translation (Continued)

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.

3.2. Financial Instruments

Classification

The Company classifies its financial instruments into the following categories: financial assets at fair value through profit and loss, loans and receivables, financial assets available for sale and financial assets held to maturity. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included within 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.

Receivables comprise dometic and foreign accounts receivables and other receivables.

Accounts receivable is stated at its nominal value, i.e. invoiced amounts less discounts approved and net of allowance for impairment of receivables deemed irrecoverable based on the individual recoverability assessment. Impairment allowances are made for the receivables for which there is objective evidence of impairment, i.e. for those assessed by the management as uncollectable in full. Impairment allowances are recorded under expenses within the income statement after the assessment. Loans and receivables, as well as financial assets held to maturity, are measured at amortized cost using the effective interest method.

Cash and Cash Equivalents

For the purposes of cash flow statement, cash and cash equivalents include cash on hand, balances on accounts held with commercial banks and other highly liquid assets maturing within 3 months.

Held-to-Maturity Financial Assets

Held-to-maturity investments are classified as non-current assets unless they mature within less than 12 months from the balance sheet date, in which case they are classified as current assets.

Recognition of Financial Assets

Purchase or sale of a financial asset is accounted for on a trade date.

Measurement of Financial Assets

Financial instruments are initially measured at market value which includes transaction costs for all types of financial assets and liabilities, except for those measured at fair value through profit and loss. Financial assets at fair value through profit and loss are initially recognized at fair value with transaction costs charged to operating expenses within the income statement.

Derecognition of Financial Assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or are ceded. Each entitlement over financial assets created or retained by the Company is recognized as a separate asset or a liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Financial Instruments (Continued)

Fair Value Measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair value is determined using the available market information as at the reporting date and other valuation models used by the Company.

Fair values of certain financial instruments stated a nominal value approximate their carrying amounts. Such instruments include cash and cash equivalents and receivables and liabilities without defined maturities or fixed interest rates.

Other receivables and liabilities are written down to the present values by discounting the future cash flows using current interest rates. The management holds that, due to the nature of the Company's business and its general policies, there are no significant differences between the carrying values and fair values of the financial assets and liabilities.

Impairment of Financial Assets

Impairment for bad and doubtful receivables is calculated based on estimated losses resulting from the inability of customers to settle the liabilities to the Company when due. The management estimates are based on the aging of accounts receivable balance and historical write-off experience, customer credit-worthiness and changes in customer payment terms when evaluating the adequacy of the impairment allowance of doubtful receivables. This involves assumptions about future customer behaviour and the resulting future collections in cash. The actual amount of collected receivables may differ from the estimated collection amounts, which may have postive or negative effects on the financial performance of the Company.

Decisions on forming impairment allowances of accounts receivable via the impairment allowance account are made by the management.

Accounts receivable is written off provided they were previously included in the Company's income and derecognized from the Company's books of account as irrecoverable and the Company was unable to collect such receivables through litigation. Decisions on write-off of receivables are made based on the management's estimates.

Financial Liabilities

Financial liabilities are initially recognized at cost being the fair value of consideration received. After initial recognition, financial liabilities are stated at amortized cost by applying the effective interest rate, except for financial liabilities at fair value through profit and loss. Amortized cost of a financial liability is an amount at which liabilities are initially measures decreased by the principal repaid and increased or decreased by the accumulated amortization using the effective interest method.

Interest and fees (basic and stimulating fees) for liabilities toward related parties are calculated based on the Hotel profitability, under terms defined by the Agreement on the Operation and Management of the Hotel (the “Agreement“).

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

Accounts Payable

Accounts payable and other operating liabilities are measured at their nominal value.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3. Intangible Assets

Intangible assets are non-monetary assets (do not represent tangible physical assets) such as patents, licenses, trademarks, accounting software, investments in development of new products, processes and devices, copyrights, etc. Such assets are likely to be generating economic benefits in excess of related expenditures for periods longer than a year.

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.

Amortization of intangible assets commences in the month following the one when an intangible asset is placed in use. Amortization is provided on the base comprised of cost net of residual value. If the residual value is immaterial, it is not taken into account upon calculating amortization, i.e. it is not netted of the amortization base. Intangible assets are amortized on a straight-line basis at the rates of 24% and 10% over the useful lives of 4 to 10 years.

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

3.4. Property, Plant and Equipment

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

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, plant 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.

In accordance with the adopted accounting policy, at each balance sheet date, the Company's management analyses carrying amounts of tangible and intangible assets of the Company. If there is any indication that any such asset has become impaired, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. If the estimated recoverable amount of assets is below their carrying value, the carrying amount of the asset is reduced to its recoverable amount. The recoverable amount is based on the higher of net selling price and value in use. An impairment loss is recognized as the difference between the carrying value and the recoverable amount as an expense of the current period under operating expenses.

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

The depreciation of property, plant and equipment is computed on a straight-line basis by applying depreciation rates determined in such a manner that cost of property, plant and equipment items is depreciated in equal annual amounts in order to fully write off the cost of the assets over their estimated useful lives. Depreciation of assets activated during the year commences upon the asset placement in use, i.e. in the month in which a respective assets becomes available for its intended use. The depreciation rates applied in the current and previous accounting periods are summarized below.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4. Property, Plant and Equipment (Continued)

The depreciation rates applied in the current and previous accounting periods are summarized below:

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

Useful lives of property, plant and equipment items are determined based on the historical experiences with similar assets as well as on the anticipated technical development and changes resulting from a number of economic and industry factors. Adequacy of useful lives determined is reviewed on an annual basis or whenever there is indication of significant changes in factors underlying the determination of useful life duration.

3.5. Inventories

Inventories of raw materials and spare parts are stated at cost, while inventories of the Company's own work are recorded at the lower of the cost or net realizable value.

Cost of inventories comprises the purchase price as billed by suppliers increased by the transportation and other direct acquisition-related costs.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

3.6. Leases

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

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

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

3.7. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7. Employee Benefits (Continued)

Long-Term Employee Benefits - Obligations for Retirement Benefits

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

The Company formed no provisions in this respect as, in the assessment of the management, these are not material to the financial statements taken on the whole.

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.

3.8. 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.

3.9. Equity

The Company's equity is comprised of the core capital – share capital held by the shareholders, reserves and retained earnings.

The Company's capital was formed by the monetary contributions of the founders. A founder cannot withdraw assets invested in the Company’s share capital.

3.10. Income

Sales of Products and Services

Income from service sales and rendering as well as revenues from sales of products and goods is recognized when the substantial risk and rewards associated with the right of ownership are transferred to the customer. 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 is rendered and stated at the 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 transaction with Parent Company, subsidiaries and other related parties.

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

3.11. 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Expenses (Continued)

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 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 borowings, which is recorded within the income statement of the period it relates to as per the ”matching principle”.

Other Expenses

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

3.12. Income Taxes

Current Income Tax

Income tax is amount calculated and paid pursuant to the effective Corporate Income Tax Law of the Republic of Serbia. Current income tax is payable at the legally prescribed rate of 10% (from January 1, 2013: 15%) on the tax base determined within the tax balance and reported in the annual corporate income tax return. The taxable base stated in the income tax return 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 and holidays.

In the Republic of Serbia, pursuant to the effective Income Tax Law, a taxpayer is recognized entitlement to a tax credit in the amount of 20% of capital expenditure, whereas it cannot exceed 50% of tax accrued in the year in which the capital expenditure has been undertaken (as from 2013 - 33%). The unused portion of the tax credit can be carried forward against income taxes to be paid in future periods for duration of no longer than ten ensuing years.

The tax regulations of the Republic of Serbia do 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, except for those giving rise to capital gains or losses, may be used to reduce or eliminate taxes to be paid in future periods for duration of no longer than five ensuing years.

Deferred Income Tax

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. The currently enacted tax rates or the substantively enacted rates at the balance sheet date are used to determine the deferred income tax amount. Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, and the tax effects of income tax losses and credits are 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.

Current and deferred income taxes are recognized as income and expenses and included in the net profit for the year, except for the amount of deferred taxes resulting from the revaluation of property, plant and equipment as well as investment in bank and corporate shares, which are recorded within revaluation reserves.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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".

4. FINANCIAL RISK MANAGEMENT

In the course of its regular operations, the Company is exposed to varying extent to certain financial risks, as follows:

- Market risks,
- Liquidity risk,
- Credit risk.

Risk management within the Company is focused on minimizing the potential adverse effects on the financial position and operations of the Company in the circumstances of unpredictable financial markets.

4.1. Market Risk

(a) Foreign Currency Risk

The Company is mainly exposed to foreign currency risk upon operations in the country and abroad, resulting from transactions in different currencies, primarily EUR and USD. Foreign currency risk occurs in instances of mismatching of financial assets and liabilities denominated in foreign currencies and/or currency clause linked assets and liabilities. To the extent possible, the Company minimizes the currency risk by minimization of the open net foreign currency position.

The following table provides the details on the Company's currency risk exposures as of December 31, 2013 and 2012:

	December 31, 2013	December 31, 2012
	Assets	
EUR	141,989	98,738
USD	61,386	4,220
CHF	2	-
Total:	203,377	102,958
	Liabilities	
EUR	2,886	4,079
USD	573,107	790,048
Total:	575,993	794,127
Net foreign currency position	(372,616)	(691,169)

The Company is substantially sensitive to the movements in the EUR and USD exchange rates given the significant assets and liabilities in these two currencies. The following table provides details on the Company's sensitivity to the 10% increase and decrease in the dinar to the foreign currency exchange rate. The 10% sensitivity rate was used in internal reporting on the foreign currency risk and it represents management's best estimate of the 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 number from the table indicates the increase in the results of the current period in case the dinar grows stronger against the currency at issue. In the instance of 10% dinar devaluation as compared to the currency at issue, the result of the period would be the exact opposite to the amount calculated in the previous instance.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1. Market Risk (Continued)

(a) Foreign Currency Risk (Continued)

	December 31, 2013		December 31, 2012	
	+10%	-10%	+10%	-10%
(Loss)/Profit	(37,262)	37,262	(69,117)	69,117

(b) Interest Rate Risk

The Company is exposed to various risks that via the effects of changes in market interest rates affect its financial position and cash flows. The Company's operations are exposed to the interest rate risk to the extent to which interest-bearing assets (including investments) and interest-bearing liabilities mature for collection/settlement at different times and in different amounts.

The following table provides details of the Company's interest rate risk exposure:

	December 31, 2013	December 31, 2012
Instruments at fixed interest rates		
Financial assets	-	-
Financial liabilities	(2,886)	(4,079)
	(2,886)	**(4,079)**
Instruments at variable interest rates		
Financial assets	-	-
Financial liabilities	(564,388)	(790,408)
	(564,388)	**(790,408)**

Given the fact that the Company is not in possession of significant interest-bearing assets, the Company's income and cash flows are largely independent of the changes in the market interest rates. The Company's interest rate risk is primarily a result of the liabilities for the long-term borrowing obtained from a related party. The loan was approved at variable interest rate and exposes the Company to the cash flow interest rate risk. In 2013, the liabilities per the aforesaid loan had variable interest rates index-linked to LIBOR and stated in the foreign currency (USD).

The sensitivity analysis presented in the following text has been established based on the Company's exposure to interest rate risk inherent in non-derivative instruments as of the balance sheet date. For liabilities with variable interest rate, the analysis has been prepared under the assumption that the outstanding balance of assets and liabilities as of the balance sheet date remained constant throughout the year. The increase or decrease in interest rates of 1% represents the fluctuation reasonably anticipated by the management. Had interest rate been 1% higher/lower and all the other variables remained unchanged, the Company would have incurred operating loss of RSD 564 thousand in the year ended December 31, 2013 (December 31, 2012: RSD 790 thousand). Such situation is attributed to the Company's exposure based on the variable interest rates applied to long-term borrowings and other long-term liabilities.

4.2. Liquidity Risk

Liquidity risk is the risk that the Company will not be able to finance its assets with adequate sources of funding in terms of maturities and rates and the risk of inability to sell an asset at a reasonable price in an adequate time frame.

The Company manages liquidity risk in order to ensure that sources of financing are available for settlement of liabilities when these fall due. The Company assesses the liquidity risk on an ongoing basis by identifying and monitoring changes in the sources of financing required for the achievement of the Company's business goals in accordance with its business strategy.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013
All amounts expressed in thousands of RSD, unless otherwise stated.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.2. Liquidity Risk (Continued)

The Company has access to various sources of financing funds are raised through:

- *Long-term borrowings,*
- *Share capital.*

The following table presents the maturities of the undiscounted cash flows of financial assets and liabilities per maturity outstanding as at December 31, 2013:

	Within 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	Over 5 Years	Total
Cash and cash equivalents	291,759	-	-	-	291,759
Accounts receivable	29,247	-	-	-	29,247
Short-term financial investments	25	-	-	-	25
Other receivables	10,612	-	-	-	10,612
Total	331,643	-	-	-	331,643
Short-term financial liabilities	41,134	123,401	-	-	164,535
Accounts payable	16,109	-	-	-	16,109
Long-term borrowings	-	-	402,739	-	402,739
Other liabilities	49,503	-	-	-	49,503
Total	106,746	123,401	402,739	-	632,886
Liquidity gap at December 31, 2013	**224,897**	**(123,401)**	**(402,739)**	**-**	**(301,243)**

The following table presents the maturities of the undiscounted cash flows of financial assets and liabilities per maturity outstanding as at December 31, 2012:

	Within 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	Over 5 Years	Total
Cash and cash equivalents	138,763	-	-	-	138,763
Accounts receivable	30,284	-	-	-	30,284
Short-term financial investments	161	-	-	-	161
Other receivables	10,648	-	-	-	10,648
Total	179,856	-	-	-	179,856
Short-term financial liabilities	42,583	127,749	-	-	170,332
Accounts payable	12,790	-	-	-	12,790
Long-term borowings	-	-	624,155	-	624,155
Other liabilities	55,131	-	-	-	55,131
Total	110,504	127,749	624,155	-	862,408
Liquidity gap at December 31, 2012	**69,352**	**(127,749)**	**(624,155)**	**-**	**(682,552)**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013
All amounts expressed in thousands of RSD, unless otherwise stated.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3. Credit Risk

Credit risk relates to the exposure inherent in the possibility that the contractual party 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 cash and cash equivalents, deposits placed with banks and financial institutions, investments in securities and receivables from legal entities and private individuals.

The Company manages credit risk by undertaking certain measures and activities on the Company level. Accounts receivable are due from a large number of customers, the major portion of which relates to the receivables due from the Hotel guests who pay for the services with credit cards.

As of December 31, 2013, the Company was in possession of cash and cash equivalents totaling RSD RSD 291,759 thousand (December 31, 2012: RSD 138,763 thousand), which, in the assessment of the management, represents the maximum credit risk exposure per these financial assets.

Accounts Receivable

The maximum credit risk exposure of the Company for receivables per geographic regions provided in the table below:

	December 31, 2013	**December 31, 2012**
Domestic accounts receivable	21,665	27,805
Foreign accounts receivable		
- Euro zone	5,345	1,165
- Others	635	-
	27,645	28,970
Less: Allowance for impairment of receivables	(2,000)	(229)
Total	**25,645**	**28,741**

The most significant customers are presented in the following table:

	December 31, 2013	**December 31, 2012**
Film 87 d.o.o., Belgrade	5,608	-
Handball Association of Serbia, Belgrade	5,163	-
Lufthansa Cityline	4,369	-
Jugoimport SDPR, Belgrade	1,165	-
Tourist Organization of Serbia, Belgrade	1,165	-
Hyatt Regency Sochi, Russia	976	-
RS Ministry of Defense, Belgrade	882	-
Kuwait Embassy	701	-
Other customers	7,616	
	27,645	-
Less: Allowance for impairment of receivables	(2,000)	-
	25,645	-

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

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3. Credit Risk (Continued)

Impairment Allowance

The aging structure of receivables is provided below:

	Gross 2013	Impairment Allowance 2013	Gross 2012	Impairment Allowance 2012
Receivables not matured	13,681	-	7,466	-
From 0 to 30 days past-due	6,385	-	20,396	-
From 31 to 60 days past-due	1,873	-		-
From 61 to 90 days past-due	-	-	565	-
From 91 to 120 days past-due	74	-	74	-
From 121 to 360 days past-due	5,632	(2,000)	151	-
Over 360 days past-due	-	-	318	(229)
Total	**27,645**	**(2,000)**	**28,970**	**(229)**

Movements on the account of impairment allowance of receivables are presented below:

	December 31, 2013	December 31, 2012
Balance at January 1	229	-
Charge for the year	2,000	229
Decrease/reversal	-	-
Write-off	(229)	-
Balance at December 31	**2,000**	**229**

4.4. Capital Risk Management

The Company has elected the financial concept of capital and its preservation whereby the capital is defined based on the nominal monetary units.

The Company manages capital risk in order to ensure the continuity of its business operations for an indefinite period in the foreseeable future while maximizing return on equity to its owners (dividend) through optimization of the capital structure reduced capital-related expenses. In order to preserve i.e. adjust the capital structure, the Company may consider the following options: adjustment of dividend payments to the shareholders, return of capital to the shareholders, new share issues or sales of assets in order to reduce debt.

The Company monitors the capital structure according to the debt to equity ratio, which is computed as the ratio of net debt to the total equity of the Company.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013
All amounts expressed in thousands of RSD, unless otherwise stated.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.4. Capital Risk Management (Continued)

The gearing ratios of the Company as of December 31, 2013 and 2012 were as follows:

	December 31, 2013	December 31, 2012
Debt *	567,274	794,487
Cash and cash equivalents	291,759	138,763
Net debt	275,515	655,724
Total equity **	2,259,932	2,017,312
Debt to equity ratio * **	**12%**	**33%**

* *Debt is related to long-term borrowings, other long-term liabilities and short-term financial liabilities*;
* *Net debt is arrived at the total liabilities without equity are deducted by the amount of cash and cash equivalents;*
** *Total equity is the amount of equity as presented in the balance sheet;*
*** *Debt to equity ratio is net debt relative to the total equity.*

4.5. Fair Value

It is a policy of the Company to disclose the fair value information of those components of assets and liabilities for which published or quoted market prices are readily available, and of those for which the fair value may be materially different than their recorded 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 of this, fair value cannot readily or reliably be determined in the absence of an active market. The Company’s management assesses its overall risk exposure, and in instances in which it estimates that the value of assets stated in its books may not have been realized, it recognizes a provision.

Fair value of financial assets stated at amortized cost is estimated by discounting cash flows using the interest rate at which the Company could obtain long-term borrowings, and which corresponds to the effective interest rate. The Company holds that the reported carrying amounts net of impairment allowance, as well as nominal value of accounts payable approximate their fair values. Fair value of the borrowings is estimated by discounting contracted future cash flows using the current market interest rate available to the Company for similar financial instruments. Fair value determined in this manner does not depart significantly from the carrying amounts of borrowings recorded in the Company's books of account. In the opinion of management, the reported carrying amounts are the most valid and useful reporting values under the present market conditions.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013
All amounts expressed in thousands of RSD, unless otherwise stated.

5. SALES REVENUES

	Year Ended December 31, 2013	2012
Sales revenues from:		
- rooms	811,345	870,765
- food	231,851	264,038
- drinks	86,964	98,658
- telephone and fax	3,804	4,242
- fitness club	46,808	45,224
- Internet	3,362	4,493
Parking and transport services	19,668	15,614
Laundry revenues	11,949	11,474
Sales of flowers	2,933	2,722
Sales of cigarettes	4,551	4,968
Commercials and advertisements	2,071	3,973
Other income	4,567	6,490
	1,229,873	**1,332,661**

6. OTHER OPERATING INCOME

	Year Ended December 31, 2013	2012
Rental income:		
- presentation hall	24,876	31,730
- business premises	6,837	6,941
- equipment	8,180	8,552
Other	7,431	6,608
	47,324	**53,831**

7. COST OF GOODS AND COSTS OF MATERIALS

	Year Ended December 31, 2013	2012
Food	83,738	95,057
Tools and fixtures	12,587	10,714
Cost of materials	31,813	33,174
Cost of materials used in regular maintenance	6,565	6,650
Gas bills	23,369	21,409
Fuel	245	491
Water charge	5,332	6,122
Electricity	30,144	28,294
Total	193,793	201,911
Cost of commercial goods sold	17,055	18,445

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013
All amounts expressed in thousands of RSD, unless otherwise stated.

8. STAFF COSTS

	Year Ended December 31, 2013	2012
Gross salaries and benefits	176,466	203,589
Payroll taxes and contributions paid by the employer	99,324	118,557
Considerations per service contracts	6,033	6,717
Business travel expenses and per diems	2,501	2,841
Employee transportation allowance	7,384	7,373
Author's fees	1,869	2,321
Employee awards	2,825	2,149
Other staff costs	5,742	4,839
	302,144	**348,386**

9. DEPRECIATION, AMORTIZATION AND PROVISIONS

	Year Ended December 31, 2013	2012
Depreciation and amortization charge:		
- property, plant and equipment (Note 15)	168,196	176,290
- intangible assets (Note 15)	5,330	5,650
	173,526	**181,940**

10. OTHER OPERATING EXPENSES

	Year Ended December 31, 2013	2012
Transportation services	6,476	5,958
Telecommunications and postage	3,275	4,940
Maintenance services	9,180	12,359
Software maintenance	9,080	11,855
Marketing and advertising	24,654	27,994
Public utility services	7,259	7,887
Security services	11,116	10,187
Tourist agency fees	11,851	10,654
Consultant services	3,704	4,098
Lawyer fees	13,964	5,679
Entertainment	2,384	3,159
Insurance premiums	8,127	10,708
Commissions:		
- gold passport	15,815	18,788
- bank commissions	1,938	1,961
- payment/credit cards	12,653	12,745
Basic fees as per Management Agreement	38,334	41,562
Stimulating fees as per Management Agreement	56,337	62,322
Youth employment agency fees	41,253	40,333
Other non-material expenses	25,500	31,742
City development land fee	19,811	18,562
Booking center costs	6,771	8,285
	329,482	**351,778**

Fees paid per Management Agreement relate to the costs due to Hyatt International EAME.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013
All amounts expressed in thousands of RSD, unless otherwise stated.

11. FINANCE INCOME AND EXPENSES

	Year Ended December 31, 2013	2012
Finance income		
Interest income	1,756	1,768
Foreign exchange gains	113,150	145,065
Foreign currency clause positive effects	-	1,282
	114,906	148,115
Finance expense		
Interest expenses	22,878	33,769
Withholding taxes toward the non-resident	2,527	3,738
Foreign currency clause negative effects	-	55
Foreign exchange losses	88,744	216,301
	114,149	253,863

12. OTHER INCOME AND EXPENSES

	Year Ended December 31, 2013	2012
Other income		
Gains on the sale of equipment	374	-
Other income	6,884	14,586
	7,258	14,586
Other expenses		
Impairment allowance of receivables	2,000	-
Losses on the sale and disposal of equipment	355	3
Other income	7	6,602
	2,362	6,605

13. INCOME TAXES

a) Components of Income Taxes

	Year Ended December 31, 2013	2012
Current income tax expense	34,344	13,304
Deferred tax benefits/(expenses)	(10,113)	1,746
	24,231	**15,050**

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

13. INCOME TAXES (Continued)

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

	Year Ended December 31, 2013	2012
Profit before taxes	**266,850**	**186,265**
Income tax at the statutory tax rate of 15% (2012: 10%)	40,028	18,627
Tax effects of non-deductible expenses	421	2,025
Tax credits for capital expenditures	(16,916)	(13,299)
Other	698	7,697
Total income tax presented in the income statement	**24,231**	**15,050**
Effective tax rate	*9%*	*8%*

Tax credits arising on capital expenditures made as of December 31, 2013 amounted to RSD 80,421 thousand.

Breakdown of Tax Credits

Year of Inception	Amount	Year of Expiry
2003	5,124	2013
2004	10,630	2014
2005	35,689	2015
2006	4,328	2016
2007	2,599	2017
2008	6,823	2018
2009	-	2019
2010	387	2020
2011	14,841	2021
2012	-	2022
Total	**80,421**	

The Company recognized tax credits in the amount which the management believes can be utilized.

In accordance with the Corporate Income Tax Law, gains and losses realized/incurred in financial and non-operating transactions determined within the tax balance return, except for those resulting in the capital gains and losses determined pursuant to the aforecited Law, may be used to reduce the taxable profit of the future periods for the duration of no longer than ten years.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013
All amounts expressed in thousands of RSD, unless otherwise stated.

13. INCOME TAXES (Continued)

c) Deferred Tax Assets/Liabilities

Deferred tax liabilities of RSD 117,877 thousand net is a result of the difference between the tax base of certain assets and liabilities and their reported amounts within the Company's balance sheet, as well as the tax credit for capital expenditures. Movements on deferred tax liabilities are presented in the table below:

	2013	2012
Deferred tax liabilities		
Balance at January 1	(146,488)	(106,467)
Difference between depreciation for accounting and tax purposes	10,812	7,769
Effects of the change in the tax rate	-	(53,204)
Other	(698)	5,414
	(136,374)	(146,488)
Deferred tax assets		
Balance at January 1	18,497	33,365
Used tax credit for capital expenditures	-	(14,868)
Tax credits available for carryforward	18,497	18,497
Deferred tax liabilities, net	**(117,877)**	**(127,991)**

14. PROPERTY, PLANT AND EQUIPMENT

Movements on property, plant and equipment are provided in the table below:

	Land	Buildings	Equipment	Investment in Progress and Advances	Total
Cost					
Balance, January 1, 2012	584,640	3,330,731	984,488	2,830	4,902,689
Additions	-	-	-	61,220	61,220
Disposals	-	-	(2,428)	-	(2,428)
Transfers	-	44,113	19,937	(64,050)	-
Balance, December 31, 2012	584,640	3,374,844	1,001,997	-	4,961,481
Balance, January 1, 2013	584,640	3,374,844	1,001,997	-	4,961,481
Additions	-	-	-	61,875	61,875
Disposals	-	-	(2,091)	-	(2,091)
Transfers	-	11,347	14,528	(25,875)	-
Balance, December 31, 2013	584,640	3,386,191	1,014,434	36,000	5,021,265
Accumulated Depreciation					
Balance, January 1, 2012	-	1,354,104	690,163	-	2,044,267
Charge for the year (Note 9)	-	101,250	75,040	-	176,290
Sales and disposal	-	-	(2,424)	-	(2,424)
Balance, December 31, 2012	-	1,455,354	762,779	-	2,218,133
Balance, January 1, 2013	-	1,455,354	762,779	-	2,218,133
Charge for the year (Note 9)	-	102,424	65,772	-	168,196
Sales and disposal	-	-	(1,735)	-	(1,735)
Balance, December 31, 2013	-	1,557,778	826,816	-	2,384,594
Net Book Value :					
- at December 31, 2013	**584,640**	**1,828,413**	**187,618**	**36,000**	**2,636,671**
- at December 31, 2012	**584,640**	**1,919,490**	**239,218**	**-**	**2,743,348**

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013
All amounts expressed in thousands of RSD, unless otherwise stated.

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

As of December 31, 2013, the net book value of the Company's buildings assigned under mortgage instituted as collateral to securitize the repayment of the loan obtained from Markelia Enterprises Company Limited (Note 21) totaled RSD 1,828,413 thousand.

As of December 31, 2013, the net book value of assets acquired under finance lease amounted to RSD 3,616 thousand (2012: RSD 4,336 thousand). Assets leased refer to a motor vehicle.

15. INTANGIBLE ASSETS

Movements on intangible assets are provided in the table below:

	Licenses	Software and Design	Intangible Assets in Progress	Total
Cost				
Balance, January 1, 2012	2,003	58,272	828	61,103
Additions	-	-	5,740	5,740
Disposals	-	-	(828)	(828)
Transfers	-	5,740	(5,740)	-
Balance, December 31, 2012	2,003	64,012	-	66,015
Balance, January 1, 2013	2,003	64,012	-	66,015
Additions	-	-	6,799	6,799
Transfers	-	6,488	(6,488)	-
Balance, December 31, 2013	2,003	70,500	311	72,814
Accumulated Amortization				
Balance at January 1, 2012	222	35,298	-	35,520
Charge for the year (Note 9)	235	5,415	-	5,650
Sales/disposals	-	-	-	-
Balance, December 31, 2012	457	40,713	-	41,170
Balance at January 1, 2013	457	40,712	-	41,169
Charge for the year (Note 9)	235	5,095	-	5,330
Balance, December 31, 2013	692	45807	-	46,499
Net Book Value:				
- at December 31, 2013	**1,311**	**24,693**	**311**	**26,315**
- at December 31, 2012	**1,546**	**23,299**	**-**	**24,845**

16. INVENTORIES

	December 31, 2013	December 31, 2012
Spare parts	11,648	12,934
Goods	4,698	5,579
Drinks	6,406	6,845
Food	4,845	5,856
Fuel	1,205	1,233
Office supplies	2,408	2,473
Cigarettes	149	105
Advances paid to suppliers	2,349	3,283
	33,708	**38,308**

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

17. ACCOUNTS RECEIVABLE

	December 31, 2013	December 31, 2012
Domestic accounts receivable	21,665	27,805
Foreign accounts receivable	5,980	1,165
Other receivables	3,602	1,543
	31,247	30,513
Less: Allowance for impairment of receivables	(2,000)	(229)
	29,247	**30,284**

18. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012
Current account in RSD	91,276	32,362
Foreign currency account	195,975	103,864
Cash on hand	4,474	2,502
Other cash funds	34	33
	291,759	**138,762**

19. VALUE ADDED TAX AND PREPAYMENTS

	December 31, 2013	December 31, 2012
Prepaid insurance costs	3,998	6,759
Prepaid software maintenance costs	950	1,127
Unvoiced income and other prepayments	7,010	10,648
Prepaid management fees to Hyatt International EAME	-	13,469
	11,958	**32,003**

20. SHARE CAPITAL

The structure of the Company's share capital as of December 31, 2013 was as follows:

	Ordinary Share Count	Preferred Share Count	Total Share Count	December 31, 2013	Equity Interest %
Foreign shareholders					
North Haven Ltd., Hong Kong	6,968	750	7,718	2,553,809	94.50%
Domestic shareholders					
Energoprojekt	441	-	441	145,922	5.40%
Putnik	8	-	8	2,648	0.10%
	7,417	**750**	**8,167**	**2,702,379**	**100.00%**

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

20. SHARE CAPITAL (Continued)

On May 30, 2006, the Company enacted Decision on Homogenization of Shares in order to Replace the Existing Shares Due to the Change in the Face Value (the "Decision"). Pursuant to the aforesaid Decision, all the Company's shares have the same face value of EUR 3,778, which was equivalent to RSD 330,890 per share, i.e. RSD 2,702,379 thousand as at the Decision enactment date. The Company registered the aforedescribed changes with the Serbian Business Registers on October 19, 2006.

Ordinary Shares

The subscribed, approved and paid in share capital comprises 7,417 ordinary shares including the founding share issue of 6,000 ordinary shares and subsequent share issues of 1,417 ordinary shares for debt to equity conversion in accordance with the relevant Decision enacted by the Company's Shareholder on February 20, 2004.

Preferred Shares

Pursuant to the aforecited Assembly Decision dated February 20, 2004, long-term liabilities to the shareholder NIS Jugopetrol were converted into capital. In order to settle the debt amount, the Company issued and transferred to NIS Jugopetrol 750 preferred shares with individual par value of USD 4,000 (equivalent to RSD 219 thousand as at the Decision enactment date).

The aforesaid preferred shares were subject to homogenization of shares in 2006, and on June 4, 2008 were purchased by the majority shareholder. Preferred shares do not carry voting rights but entail entitlement to the bankruptcy estate distribution and priority upon dividend payment.

21. LONG-TERM BORROWINGS

	December 31, 2013	December 31, 2012
Long-term borrowings		
Markelia Enterprises Company Limited (former Belven Associates, Bahama)	564,388	790,408
Less: Current portion of long-term borrowings	(163,253)	(169,062)
Balance at December 31	**401,135**	**621,346**

On June 22, 2009 the Transfer of Loan Agreement and Bill of Exchange was executed by Belven Associates, Markelia Enterprises Company Limited, Hotel Shareholding Company BMP and Leontina Enterprises Company Limited.

The aforesaid agreement enabled transfer of all ownership rights and interests from the first Loan Agreement, second Loan Agreement, mortgage, bill of exchange and Subordinated Debt Agreement from Belven Associates to Markelia Ltd. The transfer was made so that the entity Belven could increase the share capital of Markelia Ltd.

The third amendment and supplement to the Loan Agreement dated September 27, 2013, defines the new loan repayment schedule whereby the principal shall be repaid in monthly installments of USD 164 thousand up to June 30, 2017 with the monthly installment increase by the amount of available cash funds as at or before the fifth day in each calendar month (starting from December 5, 2004) up to the repayment period expiration date. The interest rate applied equals 3-month LIBOR+3% annually. As a collateral securing the timely and regular repayment of the loan principal, interest and any penalty interest, pledge lien – mortgage was registered over a building in the ownership of the Company in favor of Belven (Note 14).

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013
All amounts expressed in thousands of RSD, unless otherwise stated.

21. LONG-TERM BORROWINGS (Continued)

Maturities of the long-term borrowings as of December 31, 2013 are presented below:

	December 31, 2013	December 31, 2012
Maturity		
Within a year	163,253	169,062
From 1 to 5 years	401,135	621,346
Total	**564,388**	**790,408**

22. OTHER LONG-TERM LIABILITIES

Other long-term liabilities entirely relate to the finance lease liabilities, the breakdown of which is provided below:

	Sum of the Minimum Lease Payments		Present Value of the Minimum Lease Payments	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Maturity:				
- within a year	1,391	1,415	1,282	1,270
- from 1 to 3 years	1,655	2,980	1,604	2,809
	3,046	4,395	2,886	4,079
Less future cost of financing - interest	(160)	(316)	-	-
Present value of the minimum lease payments	2,886	4,079	2,886	4,079
Included in the financial statements as:				
Current portion of finance lease liabilities			(1,282)	(1,270)
			1,604	2,809

23. SHORT-TERM FINANCIAL LIABILITIES

	December 31, 2013	December 31, 2012
Current portion of long-term borrowings	163,253	169,062
Current portion of finance lease liabilities	1,282	1,270
Balance at December 31	**164,535**	**170,332**

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

24. ACCOUNTS PAYABLE

	December 31, 2013	December 31, 2012
Management fees to Hyatt International EAME, current portion	8,786	-
Related parties	650	744
Domestic accounts payable	6,163	6,506
Foreign accounts payable	510	764
Advances received	2,948	4,776
Balance at December 31	**19,057**	**12,790**

25. VALUE ADDED TAX AND OTHER PUBLIC DUTIES PAYABLE AND ACCRUALS

	December 31, 2013	December 31, 2012
Accrued expenses	26,537	26,839
Deferred income	15,597	16,180
Value added tax and other duties payable and accruals	7,305	11,437
Balance at December 31	**49,439**	**54,456**

26. RELATED PARTY DISCLOSURES

In the normal course of business, the Company enters into transactions with its related parties (in addition to the majority and minority shareholders, related parties include member firms of the Lampsa Helenic 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, 2013 and 2012, related balances and transactions relate to interest expenses, and foreign exchange gains and losses disclosed in Note 11, long-term borrowings disclosed in Note 21 and accounts payable and management fees payable to Hyatt International EAME disclosed in Note 24, as well as prepaid expenses disclosed in Note 19 and fees pursuant to the Management Agreement toward Hyatt International EAME disclosed in Note 10.

27. TAXATION RISKS

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

28. CONTINGENT LIABILITIES

Provisions for Litigations

As of December 31, 2013, the Company was involved in several legal suits on various grounds. Based on the opinion of the attorneys and management’s estimate, a provision/expense of RSD 2,276 thousand was accrued although the management believes that the Company will not be exposed to material losses contingent on the aforesaid legal suits in the forthcoming periods.

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

28. CONTINGENT LIABILITIES (Continued)

Provisions for Litigations (Continued)

The most significant lawsuits filed against the Company include the administrative proceedings for the compensation to the former owners of the confiscated land on which the Hyatt Hotel and buildings of NIS a.d., Novi Sad ("NIS") and GP Rad, Belgrade ("Rad") were built and 3 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 is in progress before the Commission for the proceedings and deciding on the restitution of the land of the Municipality New Belgrade (the "Commission"). The Commission and the Ministry of finance as the first instance and second instance authority, respectively, have twice enacted resolutions obligating the ultimate land users to pay the compensation to the former owners for the commensurate portions of land used; however, the Supreme Court of Serbia annulled twice such resolutions, taking into account the Company's arguments in respect of protection of foreign investor rights pursuant to the Law on Foreign Investment. The Commission's first instance resolutions of March 19, 2013 confirmed the Company's liability to pay compensations to the former owners for the portion of land with the area of 2,111 m2. As the second instance authority, the Ministry of Finance rejected the Company's appeal to the aforesaid ruling on September 9, 2013. On October 24, 2013, the Company filed a suit to the Administrative Court against the Ministry's second instance resolution which has not yet been decided on. Potential financial implications may be significant. Based on the land appraisal performed by the certified appraiser hired by the Company in 2006, the value of land amounts to EUR 1,205,038 or EUR 478 per square meter (total area appraised - 2,521 m2). Given the uncertain outcome of the lawsuit and resolutions of the Supreme Court, the management believes that there will be no outflows in this respect; hence, no provisions thereof were made in the financial statements for 2013.

Legal proceedings totaling RSD 130,986 thousand have been filed against the BMP by former employees (Plaintiffs) over payment of compensation on the basis of termination of employment and on non-competition clause. The Company has filed a counter suit against the Plaintiffs claiming the amount EUR 617,156. 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 counter suits 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, management believes that no provisions need be formed for potential losses in respect of these lawsuits in 2013.

29. EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting date that would have any effect on or require additional disclosures in the Company's financial statements.

30. 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 RSD were as follows:

		In RSD
	December 31, 2013	December 31, 2012
USD	83.1282	86.1763
EUR	114.6421	113.7183
CHF	93.5472	94.1922

APPENDIX 1 and 2

INCOME STATEMENT
Year Ended December 31, 2013
(Thousands of EUR)

	Note	2013	2012
OPERATING INCOME			
Sales revenues	5	10,875	11,789
Other operating income	6	418	476
		11,293	**12,265**
OPERATING EXPENSES			
Cost of goods	7	151	163
Cost of materials	7	1,714	1,786
Staff costs	8	2,672	3,082
Depreciation, amortization and provisions	9	1,534	1,609
Other operating expenses	10	2,913	3,112
		8,984	9,752
PROFIT FROM OPERATIONS		**2,309**	**2,513**
Finance income	11	1,016	1,310
Finance expenses	11	1,009	2,246
Other income	12	64	129
Other expenses	12	21	58
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXES		**2,359**	**1,648**
INCOME TAXES			
Current income tax expense	13	(304)	(118)
Deferred tax benefit/(expense)	13	90	(15)
NET PROFIT		**2,145**	**1,515**

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 Income Statement for the years ended December 31, 2013 and 2012 was performed using the following average exchange rates:
- 2013: 113.0924
- 2012: 113.0415

Appendix 2

BALANCE SHEET
As at December 31, 2013
(Thousands of EUR)

	Note	December 31, 2013	December 31, 2012
ASSETS			
Non-current assets			
Intangible assets	15	230	219
Property, plant and equipment	14	22,999	24,124
		23,229	24,343
Current assets			
Inventories	16	294	337
Accounts receivable	17	255	266
Short-term financial investments		-	2
Cash and cash equivalents	18	2,545	1,220
Value added tax and prepayments	19	104	281
		3,198	2,106
Total assets		**26,427**	**26,449**
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	20	23,572	23,764
Reserves		3,155	3,180
Retained earnings		3,651	1,506
Translation reserves		(41)	-
Loss		(10,624)	(10,710)
		19,713	17,740
Long-term provisions and liabilities			
Long-term borrowings	21	3,499	5,464
Other long-term liabilities	22	14	25
		3,513	5,489
Current liabilities			
Short-term financial liabilities	23	1,435	1,498
Accounts payable	24	166	112
Other current liabilities		1	-
Value added tax and other public duties payable and accruals	25	431	479
Income taxes payable		140	5
		2,173	2,094
Deferred tax liabilities		1,028	1,126
Total equity and liabilities		**26,427**	**26,449**

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, 2013 and 2012 was performed using the following closing rates:
- December 31, 2013: 114.6421
- December 31, 2012: 113.7183