KPMG

Hotelijersko Akcionarsko društvo

BEOGRADSKO MEŠOVITO PREDUZEĆE A.D., BEOGRAD

Financial Statements prepared in accordance with IFRS for the year ended 31 December 2010 with Independent Auditors' Report thereon

Belgrade, 12 September 2011

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS
FOR THE YEAR ENDED 31 DECEMBER 2010

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KPMG

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Independent Auditors' Report on the Financial Statements

TO THE SHAREHOLDERS OF HOTELIJERSKO AKCIONARSKO DRUŠTVO ”BEOGRADSKO MEŠOVITO PREDUZEĆE” A.D., BEOGRAD

We have audited the accompanying financial statements of Hotelijersko Akcionarsko Društvo ”Beogradsko Mešovito Preduzeće” A.D., Beograd (hereinafter: the “Company” or “BMP”) which comprise the statement of financial position as at 31 December 2010, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 our 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, we consider 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 give a true and fair view of the financial position of the Company as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards**.**

Other Matter

The financial statements of the Company as at and for the year ended 31 December 2009 were audited by another auditor who expressed an unmodified opinion on those statements on 5 March 2010.

12 September 2011

KPMG d.o.o. Beograd

KPMG d.o.o. Belgrade

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

In thousands of EUR	Note	2010	2009
Revenue	6	13,997	14,608
Other income	7	718	974
		14,715	**15,582**
Cost of materials and goods sold	8	2,141	2,288
Staff costs	9	3,144	3,550
Depreciation and amortisation	13	1,578	1,479
Other expenses	10	3,557	3,739
		10,420	11,056
Profit from operations		4,295	4,526
Finance income/(expenses)			
Finance income	11	53	282
Finance expenses	11	(1,975)	(733)
Profit before tax		2,373	4,075
Income taxes	12	(250)	(501)
Net profit		**2,123**	**3,574**
Other comprehensive income		-	-
Total comprehensive income		**2,123**	**3,574**

The notes on pages 7 to 29 form an integral part of
the Financial Statements prepared in accordance with IFRS.
Independent Auditors' Report– pages 1 and 2.

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010

In thousands of EUR	Note	2010	2009
ASSETS			
Non-current assets			
Property and equipment	13	43,760	44,777
Intangible assets	13	208	223
		43,968	45,000
Current assets			
Inventories	14	346	379
Trade receivables	15	251	224
Financial investments	16	180	194
Other receivables	17	300	198
Cash and cash equivalents	18	1,885	2,430
		2,962	3,425
TOTAL ASSETS		**46,930**	**48,425**
LIABILITIES AND EQUITY			
Equity			
Share capital	19	30,860	30,860
Reserves	19	16,957	16,957
Accumulated losses		(16,020)	(18,143)
		31,797	29,674
Non-current liabilities			
Long-term borrowings	20	10,904	14,492
Deferred tax liabilities	12	2,070	1,916
		12,974	16,408
Current liabilities			
Current portion of long-term liabilities	20	1,475	1,367
Trade payables	22	205	388
Income tax payable	12	96	84
Other current liabilities and accruals	23	383	504
		2,159	2,343
TOTAL LIABILITIES AND EQUITY		**46,930**	**48,425**

Belgrade, 12 September 2011

Hotelijersko Akcionarsko društvo BEOGRADSKO MEŠOVITO PREDUZEĆE A.D., BEOGRAD

Tihomir Trivunac
General Director

Christoph Brueckner
Financial Director

The notes on pages 7 to 29 form an integral part of the Financial Statements prepared in accordance with IFRS. Independent Auditors' Report – pages 1 and 2.

CASH FLOW STATEMENT FOR 2010

In thousands of EUR	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	2,123	3,574
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,578	1,479
Foreign exchange losses/(gains), net	1,442	(214)
Financial expenses, net (including withholding taxes)	539	777
Change in trade receivables	(27)	(76)
Change in other receivables	(102)	140
Change in inventories	33	70
Change in accounts payable and other current liabilities	(305)	56
Other	155	196
Net cash provided by operating activities	5,436	6,002
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of equipment and additions to buildings	(580)	(63)
Purchases of intangible assets	(31)	(22)
Change in financial investments	14	-
Interest received	53	68
Net cash used by investing activities	(544)	(17)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Decrease in long-term debt	(4,845)	(5,053)
Interest paid	(592)	(845)
Net cash used in financing activities	(5,437)	(5,898)
Net increase/(decrease) in cash equivalents	(545)	87
Cash and cash equivalents at beginning of the year	2,430	2,343
Cash and cash equivalents at end of the year	**1,885**	**2,430**

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Independent Auditors' Report – pages 1 and 2.

STATEMENT OF CHANGES IN EQUITY FOR 2010

In thousands of EUR	Share Capital	Reserves	Accumulated loss	Total
Balance at January 1, 2009	**30,860**	**16,957**	**(20,428)**	**27,389**
Impact on deferred tax adjustment – Note 12			(1,289)	(1,289)
Restated Balance at 1 January 2009	**30,860**	**16,957**	**(21,717)**	**26,100**
Profit for the year	-	-	3,574	3,574
Total comprehensive income			3,574	3,574
Balance at 31 December 2009	**30,860**	**16,957**	**(18,143)**	**29,674**
Balance at 1 January 2010	**30,860**	**16,957**	**(18,143)**	**29,674**
Profit for the year	-	-	2,123	2,123
Total comprehensive income			2,123	2,123
Balance at 31 December 2010	**30,860**	**16,957**	**(16,020)**	**31,797**

The notes on pages 7 to 29 form an integral part of
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NOTES TO THE FINANCIAL STATEMENTS

1 Company founding and activities

Hotelijersko akcionarsko društvo "Beogradsko Mešovito Preduzece" A.D., Beograd (hereinafter: the "Company" or "BMP") is a company domiciled in Serbia. The Company was established based on the Foundation and Investment Agreement executed on April 14, 1989 between North Haven Limited (93.94% of ownership as at 31 December 2010), Hong Kong company, and two Serbian companies (together 6.06% of ownership). North Haven Limited, Hong Kong was owned by Hyatt International Corporation ("HIC") up to the year of 2006, which is incorporated in the United States of America.

In 1989 BMP entered into a Management Agreement with Hyatt International Asia Pacific Limited (formerly Hyatt of Hong Kong Limited), a wholly-owned subsidiary of Hyatt International Corporation ("HIC"), to manage and operate the hotel for a period of twenty full calendar years from the date of opening, and an extension thereto for three, ten-year renewal periods at the option of Hyatt International Asia Pacific Limited (the "Management Agreement"). For the provision of these services Hyatt International Asia Pacific Limited is entitled to a management fee of 3% of the gross revenues of the hotel, plus an incentive fee of 11% of the gross operating profit, as defined under the terms of the Management Agreement, for the first five years, and thereafter, an applicable incentive fee of 15% of gross profit. On January 1, 1991 the Management Agreement was transferred under the same terms and conditions to Hyatt International (Europe, Africa, Middle East) Ltd., a company incorporated in Switzerland and also a wholly-owned subsidiary of HIC.

On June 6, 2006, Hyatt International Corporation sold its interest in North Haven Limited, Hong Kong to Luella Enterprises Company Limited, Nicosia, owned by Lampsa Hellenic Hotel Company S.A., Athens. Pursuant to Decision numbered BD 22440/2005 of June 13, 2005, the Company's registration was reinscribed and transferred from the Commercial Court Register, into the Business Register maintained by the Serbian Business Registers Agency as required by the Company Law.

The primary business activity of the Company is to operate the Hyatt Regency Belgrade Hotel (hereinafter: "Hotel"). The Company's business activity includes other activities necessary for successful primary business activity. The Company's registered office is in Belgrade, Milentija Popovica 5.

The Company's tax identification number is 100000805 and its registration number is 07456263.

As of December 31, 2010, the Company had 209 employees (December 31, 2009: 215 employees).

2 Basis of preparation of the financial statements in accordance with International Financial Reporting Standards

(a) Statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs).

The financial statements were authorised for issue by the Board of Directors on 18 April 2011.

(b) Basis of measurement

The Financial Statements of the Company are prepared on the historical cost basis except for the appraisal of property and equipment.

(c) Functional and presentational currency

The Financial Statements prepared in accordance with IFRS are presented in thousands of Euros ("EUR"), which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes: Notes 3d, 13 – useful lives of property, equipment and intangible assets, Note 24 – Credit risk for impairment of trade receivables and Note 25 – contingent liabilities.

3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

(a) Going concern

The financial statements are prepared in accordance with the going concern concept, which assumes that the Company will continue to operate in the foreseeable future.

(b) Foreign currencies

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the average rates of exchange. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated to the functional currency at the exchange rate at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign exchange gains or losses arising upon the translation of transactions, and assets and liabilities in foreign currencies are credited or charged to the profit or loss.

Applied exchange rates as at balance sheet date are as follows:

Currency	31 December 2010	31 December 2009
RSD	105.4982	95.8888
USD	79.2801	66.7285

(c) Financial instruments

/i/ Non-derivative financial assets

The Company initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the asset.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Non-derivative financial assets consist of trade receivables, other receivables, loans and cash and cash equivalents.

Non-derivative financial assets are classified and measured as follows:

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses, except for short term receivables, when the recognition of interest would be immaterial.

Loans and receivables comprise cash and cash equivalents, trade and other receivables and financial investments.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash held on accounts in commercial banks.

/ii/ Non-derivative financial liabilities

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value, net of transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method, except for short term trade and other payables, when the recognition of interest would be immaterial.

Other financial liabilities comprise loans and trade and other payables.

/iii/ Share capital

Ordinary and preference share capital of the Company is classified as equity.

/iv/ Compound financial instruments

The Company did not issue any compound financial instruments with the option to convert into equity.

/v/ Derivative financial instruments

The Company holds no derivative financial instruments.

(d) Property and equipment

Items of property, plant and equipment were initially valued at cost less accumulated depreciation and accumulated impairment losses.

Following changes in the Company's ownership (Note 1), the Company elected to measure its property and equipment at revalued amounts, being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The appraisal of property and equipment was performed by independent appraisals as of June 6, 2006 and the applied valuation methodology for property and equipment was market value and depreciated replacement cost, respectively.

Accordingly, positive effects of appraisal of property were credited to revaluation reserves whereas negative effects of appraisal of equipment were charged to other operating expenses. Deferred tax liabilities incurred upon appraisal were also charged to revaluation reserves. All additions of property and equipment after June 6, 2006 were recorded at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of the property and equipment, and is recognised net within other income/other expenses in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation is based on the cost of an asset less its residual value. Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Land is not depreciated.

The residual values, estimated useful lives and depreciation methods of each item of property, plant and equipment are reassessed annually. Estimates in respect of property and equipment were revised in 2010. (Note 13)

As a result of reassessment of useful lives of property and equipment at 2009 year end, the Company allocated revised useful lives to items of property and equipment. Management of the Company considered that previous useful lives did not accurately reflect remaining useful lives of assets. Estimated useful lives prior to revision and after revision are as follows:

Description	Estimated useful life in years from 01 January 2010	Estimated useful life in years up to 31 December 2009
Buildings-fixtures	33 - 50	50
Furniture	6.6 - 10	12 – 20
Machinery and mechanical equipment	6.6	15 - 25
Electric equipment and computers	4 - 6.6	4 - 10
Other equipment	5 - 10	10 - 30

(e) Intangible assets

Intangible assets are stated at cost, less accumulated amortisation. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate. Estimates in respect of intangible assets were revised in 2010, useful lives were 5-10 years until January 01, 2010, while afterwards they are 4-10 years. (Note 13)

(f) Inventories

Inventories are stated at the lower of cost and net realizable value. Cost includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

The cost of inventories is calculated using the weighted average method.

Net realizable value represents the estimated selling price less selling expenses.

(g) Impairment

Non-derivative financial assets

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, indications that a debtor will enter bankruptcy, adverse changes in the payment status of borrowers in the Company, restructuring of an amount due to the Company on terms that the Company would not consider otherwise.

The Company considers evidence of impairment for loans and receivables at specific asset level. All individually significant receivables are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non- financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets (the possible impairment of which are addressed by reference to specific IFRS), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amounts of the other assets in the cash-generating unit (group of units) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(h) Employee benefits

/i/ Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service in the period.

/ii/ Other long term employee benefits

Pursuant to the effective labour regulations, the Company has an obligation to disburse an employee retirement benefit in an amount equal to three average salaries in the Republic of Serbia, in accordance with the latest published data of the Republic of Serbia Statistical Office. The provisions thereof have not been included in the financial statements for the year 2010 based on the management's estimate that such provision is immaterial to these financial statements.

/iii/ Termination benefits

Termination benefits are recognised as an expense when the Company is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Company has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(i) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(j) Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and value added tax.

At the time when revenue is recognised, the relating expenditure is also recognised (the matching principle).

(k) Finance income and finance cost

Finance income comprises interest income and foreign exchange gains. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and foreign exchange losses. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

(l) Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Income tax represents an amount calculated and payable under the Serbian Income Tax Law. The income tax rate for 2010 is 10% (2009: 10%). Taxable profit includes the profit shown in the statutory Statement of income and adjustments for permanent differences, as defined by the Serbian Income Tax Law. Such adjustments comprise mainly adding back certain disallowed expenses and deducting certain capital expenditure and investments incurred during the year.

The Serbian Income Tax Law does not allow tax losses of the current period to be used to recover tax previously paid. However, current year losses may be used to decrease taxable profits for future periods of no longer than ten years for losses incurred before 2010, and five years for losses incurred in 2010 and afterwards.

Calculated income tax can be reduced by up to 50% for investments in fixed assets, up to 20% of that investment.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax credits, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Earnings per share and segment reporting

The Company elected not to present earnings per share and segment reporting disclosure required by IAS 33 “Earnings per share” and IFRS 8 “Operating segments” as the Company is closed joint stock company whose equity or debt instruments are not quoted on the Stock Exchange or any other active market.

(n) New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2010, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company.

4 Determination of fair values

Some of the Company’s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Information about the assumptions made in determining fair values is disclosed in the Note 3d, 3e and 13 for fixed assets and Note 24 for financial instruments.

5 Financial risk management

The Company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk, market risk (including foreign currency exchange risk and interest rate risk). This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

There is no formal risk management framework implemented in the Company. The Management Board focuses mainly on credit risk, liquidity risk and foreign currency exchange risk and acts on a case basis to mitigate risks and minimize losses.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Maximum exposure to credit risk represents carrying amount of related assets at reporting date. Credit risk arises principally from the Company's trade receivables. Taking into account the nature of the Company's business activities and the fact that the Company deals mostly with private individuals the Company's exposure to credit risk is limited.

In addition, the Company does not have material credit risk concentration with reference to receivables, as it has a great number of unrelated customers with individually small amounts of debt.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Responsibility for liquidity risk management rests with the Company and the Management Board, which is responsible for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate cash reserves, by borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

Credit risk and currency risk exposure arises in the course of the Company's regular business operations. Financial instruments are not used for hedging currency and interest rate risks.

Foreign currency risk

The Company is exposed to currency risk on sales, purchases and financial instruments that are denominated in a currency other than the respective functional currency, primarily the US Dollars (USD) and Serbian Dinar (RSD). Relevant risk variables are generally all non-functional currencies in which the Company has financial instruments.

Interest rate risk

The Company is exposed to interest rate risk in respect of cash flows related to interest bearing long-term loan that is linked to variable LIBOR interest rates. The loan obtained at fluctuation interest rates makes the Company's cash flows susceptible to the risk of changes in fair value of interest rates. The Company does not hedge this risk. Borrowing with variable interest rate is expressed in foreign currency (USD).

Capital management

There is no formal capital management framework implemented in the Company. The Management Board focuses on capital management on a case basis to mitigate risks and ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of debt, which includes the long-term borrowings, cash and cash equivalents and equity attributable to equity holders, comprising issued capital, reserves and accumulated loss.

The Company's Management Board reviews the capital structure on as needed basis. As a part of this review the Board considers the cost of capital and the risks associated with each class of capital. Based on this review, the Company will balance its overall capital structure through the further decrease of accumulated loss, payment of dividends, increase in share capital as well as the issue of new debt or the redemption of existing debt. The Company's overall strategy remains unchanged from 2009.

6 Revenue

In thousands of EUR	2010	2009
Sales of:		
-rooms	9,250	9,632
-food	2,534	2,680
-beverage	1,067	1,139
-telephone	64	70
-fitness club	461	496
-internet	137	158
Parking and transportation	201	134
Laundry	132	134
Other	151	165
Total	**13,997**	**14,608**

7 Other income

In thousands of EUR	2010	2009
Rent:		
-presentation halls	359	341
-business premises	97	97
-equipment	85	104
Discount on the deferred incentive fees	-	324
Other	177	108
Total	**718**	**974**

8 Cost of materials and goods sold

In thousands of EUR	2010	2009
Food	879	939
Small inventory	103	135
Raw materials	377	402
Maintenance	83	88
Gas	190	176
Fuel	19	33
Water	50	53
Electricity	236	249
Cost of goods sold	204	213
Total	**2,141**	**2,288**

9 Staff costs

In thousands of EUR	2010	2009
Gross salaries	1,664	1,943
Temporary staff costs	428	416
Taxes and contributions	901	1,018
Other	151	173
Total	**3,144**	**3,550**

10 Other expenses

In thousands of EUR	2010	2009
Transportation	108	78
Communications	60	57
Maintenance	110	94
Software maintenance	109	97
Marketing	224	261
Non production services	60	58
Security	111	130
Tourist services	99	166
Entertainment	157	64
Insurance	105	178
Gold passport fees	139	132
Credit cards fees	161	171
Administrative fees	68	11
Basic management fees	436	457
Incentive fees	1,033	1,087
Withholding taxes on interest payments to non-resident	59	130
City land tax	171	166
Reservation centre	99	52
Other	248	350
Total	**3,557**	**3,739**

In accordance with the Management Agreement, basic management fee of EUR 436 thousand (2009: EUR 457 thousand) and incentive fee of EUR 1,033 thousand (2009: EUR 1,087 thousand) relate to fees incurred to Hyatt International (Europe, Africa, Middle East) Ltd for managing and operating the hotel.

11 Financial income and expenses

Financial income relate to:

In thousands of EUR	2010	2009
Interest income	53	68
Foreign exchange gains	-	214
Total	**53**	**282**

Financial expenses relate to:

In thousands of EUR	2010	2009
Interest expenses	533	715
Foreign exchange losses	1,442	-
Other	-	18
Total	**1,975**	**733**

12 Income taxes

(a) Tax expenses of the period

In thousands of EUR	2010	2009
Current tax	96	84
Deferred tax	154	417
Total	**250**	**501**

(b) Reconciliation of effective tax rate

In thousands of EUR	2010	2009
Profit before tax	2,373	4,075
Income tax at the statutory tax rate of 10%	237	408
Tax effect of different statutory result	(114)	(101)
Effects of expenses that are not deductible in determining taxable profit	71	85
Utilized tax loss		(170)
Utilized tax credits	(101)	(86)
Recognition of previously unrecognised tax credits	72	367
Change in temporary differences	82	96
Other	3	(98)
Total	**250**	**501**
Effective tax rate	10.5%	12.3%

(c) Deferred tax assets and liabilities

In thousands of EUR	2010	2009
Deferred tax assets		
Tax credit carry forwards	709	781
	709	781
Deferred tax liabilities		
Temporary differences on property, equipment and intangible assets	(2,779)	(2,697)
Net amount	**(2,070)**	**(1,916)**

Tax credits carry forward expire in the following periods:

Origination year	Expiration year	Total tax credits (In thousands of EUR)
2003	2013	135
2004	2014	102
2005	2015	338
2006	2016	41
2007	2017	25
2008	2018	64
2010	2020	4
Total		**709**

Corresponding figures for the year of 2009 and 2008 were restated in order to account for deferred tax liability arising on carrying value of fixed assets of the Company and their respective tax base.

Deferred tax liability calculated as at 31 December 2008 amount to EUR 1,499 thousand, while in financial statements for the year of 2008 and for the year of 2009 was disclosed in the amount of EUR 210 thousand, and therefore the difference in the amount of EUR 1,289 thousand is included as adjustment of opening balance of accumulated loss and reserves as at 1 January 2009, and corresponding increase in deferred tax liability in these financial statements.

Deferred tax liability calculated as at 31 December 2009 amount to EUR 1,916 thousand, while in financial statements for the year of 2009 was disclosed in the amount of EUR 413 thousand, and therefore the difference in the amount of EUR 1,503 is included as increase in deferred tax liability as at 31 December 2009 in these financial statements. Accordingly, deferred tax expense for the year of 2009 is restated from EUR 222 thousand to EUR 417 thousand.

Furthermore, deferred tax assets for the tax credits carried forward is adjusted for tax credits earned in the year of 2008, and valuation allowance for tax credits carried forward is derecognised on assumption that profits will be available in the future for utilisation of these credits in full amount.

13 Property, equipment and intangible assets

In thousands of EUR	**Land**	**Buildings**	**Equipment**	**Construction in progress**	**Total**	**Intangible assets**
Cost/Revaluation						
Balance as at 1 January 2009	8,343	49,409	12,623	358	70,733	591
Additions		33	22	8	63	22
Balance as at 31 December 2009	**8,343**	**49,442**	**12,645**	**366**	**70,796**	**613**
Balance as at 1 January 2010	8,343	49,442	12,645	366	70,796	613
Additions		9	571		580	44
Disposals			(135)		(135)	
Transfers		177	82	(259)	-	
Other				(27)	(27)	
Balance as at 31 December 2010	**8,343**	**49,628**	**13,163**	**80**	**71,214**	**657**
Accumulated depreciation and amortization						
Balance as at 1 January 2009	-	14,992	9,603	-	24,595	335
Charge for the year	-	998	426	-	1,424	55
Balance as at 31 December 2009	-	15,990	10,029	-	26,019	390
Balance as at 1 January 2010	-	15,990	10,029		26,019	390
Charge for the year	-	1,048	471		1,519	59
Disposals	-		(84)		(84)	
Balance as at 31 December 2010	**-**	**17,038**	**10, 416**		**27,454**	**449**
Carrying amount						
- at 31 December, 2010	**8,343**	**32,590**	**2,747**	**80**	**43,760**	**208**
- at 31 December, 2009	**8,343**	**33,452**	**2,616**	**366**	**44,777**	**223**
- at 1 January, 2009	**8,343**	**34,417**	**3,020**	**358**	**46,138**	**256**

On its building property, the Company placed mortgage in favour of Markelia Enterprises Company Limited, Nicosia, Cyprus. The net book value of property under mortgage as of December 31, 2010 amount EUR 32,590 thousand.

14 Inventories

In thousands of EUR	2010	2009
Materials	168	163
Spare parts	122	146
Goods	56	70
Balance as at 31 December	**346**	**379**

15 Trade receivables

In thousands of EUR	2010	2009
Domestic trade receivables	141	117
Foreign trade receivables	22	63
Advances to suppliers	41	32
Other receivables	47	77
Allowance for impairment	-	(65)
Balance as at 31 December	**251**	**224**

16 Financial investments

Financial investments stated as at December 31, 2010 in the amount of EUR 180 thousand (December 31, 2009: EUR 194 thousand) refers to the short term loan approved to related party Excelsior a.d. Beograd, for the purpose of financing of Excelsior's working capital requirements. This loan is approved with the interest rate calculated based on 3-months US LIBOR rate plus 3%.

17 Other receivables

In thousands of EUR	2010	2009
Prepaid insurance	79	70
Prepaid expenses of software maintenance	31	44
Receivables for un-invoiced income	49	43
Other prepaid expenses	48	38
Tax receivables	90	-
Other	3	3
Balance as at 31 December	**300**	**198**

18 Cash and cash equivalents

In thousands of EUR	2010	2009
RSD accounts	261	524
Accounts in EUR and USD	1,602	1,892
Cash in hand	22	14
Balance as at 31 December	**1,885**	**2,430**

19 Capital and reserves

The Company's share capital structure as of December 31, 2010 was as follows:

	Number of Ordinary Shares	Number of Preference Shares	Total Number of Shares	2010 thousands of EUR	% of shares
North Havel Ltd., Hong Kong	6,968	750	7,718	29,063	94.5
Energoprojekt Holding, Beograd	441		441	1,765	5.4
Putnik A.D., Beograd	8		8	32	0.1
Balance as at 31 December	**7,417**	**750**	**8,167**	**30,860**	**100**

On May 30, 2006 the Company enacted a Resolution with respect to the Homogenization of Shares due to the change in their nominal value (the "Resolution"). In accordance with the Resolution, the individual par value of the Company's shares was EUR 3,778.

"Investbanka a.d.", Beograd – in bankruptcy and "Naftna Industrija Srbije a.d.", Novi Sad resigned as shareholders of the Company, on March 20, and June 4, 2008, respectively, and sold stakes in the Company to North Haven Ltd., Hong Kong, whose ultimate owner is Lampsa Hellenic Hotel Company S.A., Athens.

Structure of share capital of the Company remained unchanged during the year of 2010.

Ordinary shares

The subscribed, authorized, issued and fully paid-in capital consists of 7,417 individual shares of ordinary shares, including the founding issuance of 6,968 shares of ordinary shares and an issuance of 449 ordinary shares in connection with the conversion of liabilities to shareholders into capital, performed in accordance with the provisions of the Resolution of the Shareholders' Assembly as of February 20, 2004.

Preference shares

Pursuant to the aforementioned resolution of the Shareholders' Assembly as of February 20, 2004, the long-term liabilities to NIS Jugopetrol, Belgrade were converted. In the amount of the aforementioned debt, the Company issued 750 preference shares, having an individual par value of USD 4,000 (equivalent of RSD 219 thousand) as stated at the date of the resolution. These shares were subject to procedure of share homogenization in 2006 and on June 4, 2008 these shares were sold to the majority shareholder.

Preference shares holder has following rights: priority over ordinary shares with respect to payment of dividend, priority with respect to distribution on liquidation of the Company, right to be present and participate in discussions at a shareholders assembly without voting rights and right to access to legal and other documents and information of the Company.

Reserves

Reserves in the amount of EUR 16,957 thousand, mostly (EUR 15,662 thousand) relate to former revaluation reserves that were formed in accordance with the previously-applicable accounting standards and regulations prevailing in the Republic of Serbia and were subsequently transferred to statutory reserves. Amount of EUR 1,295 thousand relate to revaluation reserves from appraisal of property and equipment (Note 3d).

20 Long-term borrowings

			In thousands of EUR	
Creditor	Interest rate	USD	2010	2009
Markelia Enterprises Company limited (previously Belven Associates, Bahamas)	LIBOR+3%	13,986	12,379	15,859
Current portion		(2,487)	(1,475)	(1,367)
Balance as at 31 December			**10,904**	**14,492**

The long-term loan of EUR 12,379 thousand relates to a loan that originates from 1989 and granted by Belven Associates (“Belven”). On October 19, 2004, the Company and Belven entered into a new Loan Agreement for purposes of restructuring the outstanding debt to Belven, and thereby replacing the Interim Loan Agreement dated July 31, 2004. Consequently, the loan counterparties agreed that the loan principal would be repaid in monthly instalments of USD 164 thousand up to December 2024. Such repayments could be accelerated by means of monthly repayments involving any additional cash available to the Company on or before the fifth day of each successive calendar month (commencing December 5, 2004) during the term of the loan. The aforementioned loan was issued at an annual interest rate equal to the 3-months US LIBOR rate + 3%. The Company provided mortgage lien on its building, registered in favour of Belven, in order to collateralize the repayment of its long-term borrowings and related interest (Note 13).

On June 22, 2009, the Agreement on the transfer of a loan and a bill of exchange was signed, which governs the cession of all ownership rights and interests related to the loan, mortgage and bill of exchange from Belven Associates to Markelia Enterprises Company Limited, Nicosia, Cyprus. The process of pre-registration of the mortgage line to Markelia Enterprises Company Limited, Nicosia, Cyprus was completed in June 2010, when local cadastral authorities issued statement of mortgage registration.

21 Short-term financial liabilities

In thousands of EUR	2010	2009
Current portion of long term borrowings (Note 20)	1,475	1,367
Balance as at 31 December	**1,475**	**1,367**

22 Trade payables

In thousands of EUR	2010	2009
Advances received	55	19
Management fees to Hyatt International	122	283
Payables to domestic suppliers	26	71
Payables to foreign suppliers	2	15
Balance as at 31 December	**205**	**388**

23 Other current liabilities and accruals

In thousands of EUR	2010	2009
Deferred income membership fees	144	149
Accrued expenses	172	250
Accrual for litigation	22	26
Liabilities for deposits for leased premises	26	20
Other current payables	19	59
Total	**383**	**504**

24 Financial instruments

Credit risk

The structure of trade receivables as of December 31, 2010 is presented in the following table:

In thousands of EUR	Gross 2010	Provision 2010	Gross 2009	Provision 2009
Undue receivables	49	-	101	
Receivables overdue 0-30 days	114	-	14	
Receivables overdue more than 30 days	-	-	65	(65)
Total as at 31 December	**163**	**0**	**180**	**(65)**

Movements in bad debt provision are presented in following table:

In thousands of EUR	2010	2009
Balance as at 1 January	(65)	(69)
Provisions for the period	-	-
Derecognition of previously written-off receivables	65	4
Total as at 31 December	**-**	**(65)**

The management believes that there is no impairment provision required in these financial statements due to historical experience and subsequent settlements of receivables after reporting date and before financial statements are authorised for issue.

Liquidity risk

An overview of maturities of financial liabilities is provided in the tables below:

In thousands of EUR	Carrying amount as at 31 December	Contractual cash flow	Maturity in 1 to 6 months	Maturity in 6 months to 1 year	Maturity in 1 to 5 years	Maturity in over 5 years
31 December 2010						
Loans	12,379	12,379	738	738	5,903	5,000
Accounts payable	205	205	205			
Accrued expenses	220	220	220			
Total	12,804	12,804	1163	738	5,903	5,000

In thousands of EUR	Carrying amount as at 31 December	Contractual cash flow	Maturity in 1 to 6 months	Maturity in 6 months to 1 year	Maturity in 1 to 5 years	Maturity in over 5 years
31 December 2009						
Loans	15,859	15,859	683	683	5,467	9,026
Accounts payable	388	388	388			
Accrued expenses	296	296	296			
Total	**16,543**	**16,543**	**1367**	**683**	**5,467**	**9,026**

Foreign currency risk

The book value of financial assets and liabilities of the Company denominated in foreign currency as of the reporting dates is as follows:

	Assets		**Liabilities**	
In thousands of EUR	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
RSD	569	876	302	194
USD	93	445	12,501	16,035

Sensitivity analysis

The following table details the Company’s sensitivity to a 10% increase in the functional currency against the non-functional foreign currencies RSD and USD, respectively. The analysis assumes that all other variables remain constant.

In thousands of EUR	Profit or loss
31 December 2010	
RSD	(24)
USD	1,128
31 December 2009	
RSD	1
USD	1,085

Decrease of 10 percent of the functional currency, compared to the listed currencies as at 31 December would have an equal but contrary effect, assuming that all other variables remain constant.

The Company's sensitivity to foreign currency has been primarily driven by USD denominated long-term borrowings and other long-term liabilities.

The amounts generated from the sensitivity analysis are forward-looking estimates of foreign currency exchange risk assuming certain market conditions. Actual results in the future may differ materially from those projected results due to the inherent uncertainty of global and local financial markets. The methods and assumptions used are the same as those applied in the previous reporting period.

Interest rate risk

In case an interest rate on long-term borrowings as of December 31, 2010, increase/decrease by 1 percent point annually, where other variables remain the same, the Company's net profit for the year ended December 31, 2010 would be greater/less by the amount of EUR 154 thousand (2009 – EUR 313 thousand), as a result of a lower/higher interest expense.

Capital risk

Indexes of indebtedness were as presented in following table:

In thousands of EUR	2010	2009
Debt	12,379	15,859
Cash and cash equivalents	1,885	2,430
Net debt	10,494	13,429
Equity	31,797	29,674
Ratio net debt to equity	0.33	0.45

Debt relates to long term loans, while equity includes shareholders capital, reserves and accumulated loss.

Fair values

The fair values of financial assets and financial liabilities are determined as follows:

The assumption used to estimate current fair values is that the book value of receivables and payables balances approximates to fair value because of their relative short maturities.

The fair value of financial liabilities carried at amortized cost for disclosures purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to Company.

The fair value of financial assets and liabilities together with associated carrying amounts are presented in the table below:

	31 December 2010		31 December 2009	
In thousands of EUR	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Trade receivables	163	163	115	115
Other receivables	139	139	43	43
Financial investments	180	180	194	194
Cash and cash equivalents	1,885	1,885	2,430	2,430
	2,367	2,367	2,782	2,782
Financial liabilities				
Long-term liabilities	10,904	10,904	14,492	14,492
Accounts payable	205	205	388	388
Accrued expenses	220	220	296	296
Current portion of long-term liabilities	1,475	1,475	1,367	1,367
	12,804	12,804	16,543	16,543
Total	**(10,437)**	**(10,437)**	**(13,761)**	**(13,761)**

25 Contingent liabilities and commitments

Lawsuits

As of December 31, 2010, the Company is a defendant in five lawsuits, of which three proceedings were filed by former employees in connection with the termination of their employment in the Company, and other two by persons claiming compensation for injuries sustained during events which took place in the hotel. The total value of legal proceedings filed against the Company amount to EUR 22 thousand, without potential penalty interest. The Company recognised a provision for contingent liabilities arising from such litigation in the amount of EUR 22 thousand, whereas the Company's management assesses that the Company will not be exposed to materially significant losses with respect to aforementioned proceedings.

26 Related party transactions

In addition to the parent company and minority shareholders the Company's related parties include other companies within Lampsa Helenic Hotel Group. As of December 31, 2010 and 2009 the balances and transactions with related parties relate to intercompany loan disclosed in Note 16, long-term borrowings disclosed in Note 20 and interest expense disclosed in Note 11.

Balances with related parties included in Statement of Financial Position:

In thousands of EUR	2010	2009
Financial investment – loan granted to Excelsior a.d. Beograd (Note 16)	180	194
Long term loan payable to Markelia Enterprises Company Limited (Note 20)	(12,379)	(15,859)

Income and expenses in transactions with related parties included in Statement of Comprehensive Income:

In thousands of EUR	2010	2009
Interest income on loan granted to Excelsior a.d. Beograd	7	6
Interest expense on long term loan payable to Markelia Enterprises Company Limited	533	715

Gross salaries paid to key management during the year of 2010 amount to EUR 819 thousand (2009: EUR 775 thousand), and represent amounts paid to General Director, General Manager of the Hotel, Director of finance and other departmental directors.

27 Subsequent events

There are no subsequent events that impact these financial statements for 2010 or that require separate disclosure.