HOTELIJERSKO AKCIONARSKO DRUŠTVO BEOGRADSKO MEŠOVITO PREDUZEĆE AD BEOGRAD

Financial Statements prepared in accordance with IFRS
for the year ended 31 December 2011
with Independent Auditors' Report thereon

Belgrade, 11 May 2012

FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH IFRS FOR THE YEAR ENDED 31 DECEMBER 2011

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TO THE SHAREHOLDERS OF HOTELIJERSKO AKCIONARSKO DRUŠTVO BEOGRADSKO MEŠOVITO PREDUZEĆE AD BEOGRAD

Independent Auditors' Report

We have audited the accompanying financial statements of Hotelijersko Akcionarsko Društvo Beogradsko Mešovito Preduzeće AD Beograd (hereinafter: the "Company" or "BMP") which comprise the statement of financial position as at 31 December 2011, 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.

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Upisani osnovni kapital Društva od EUR 50.790,42 uplaćen, odnosno unet je u celosti.
KPMG d.o.o. Beograd je jednočlano društvo.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG d.o.o. Beograd

Belgrade, 11 May 2012

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

In thousands of EUR	Note	2011	2010
Revenue	5	13,028	14,715
Cost of materials and goods sold	6	(2,109)	(2,141)
Staff costs	7	(3,502)	(3,144)
Depreciation and amortization	11	(1,671)	(1,578)
Other expenses	8	(3,347)	(3,557)
Result from operating activities		2,399	4,295
Finance income	9	42	53
Finance costs	9	(528)	(1,975)
Net finance costs		(486)	(1,922)
Profit before tax		1,913	2,373
Tax expense	10	(91)	(250)
Profit for the year		1,822	2,123
Other comprehensive income			
Revaluation of property and equipment	11	474	-
Other comprehensive income for the year		474	-
Total comprehensive income for the year		2,296	2,123

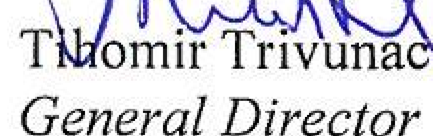
The notes on pages 7 to 28 form an integral part of
the Financial Statements prepared in accordance with IFRS.
Independent Auditors' Report – pages 1 and 2.

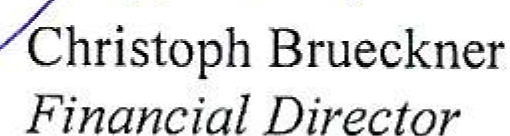
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011

In thousands of EUR	Note	2011	2010
Assets			
Property and equipment	11	44,555	43,760
Intangible assets	11	275	208
Non-current assets		44,830	43,968
Inventories	12	326	346
Trade receivables	13	192	251
Financial investments	14	120	180
Other receivables	15	296	300
Cash and cash equivalents	16	941	1,885
Current assets		1,875	2,962
Total assets		46,705	46,930
Equity			
Share capital		30,860	30,860
Reserves		17,431	16,957
Accumulated losses		(14,198)	(16,020)
Total equity	17	34,093	31,797
Liabilities			
Loans and borrowings	18	8,354	10,904
Deferred tax liabilities	10	2,025	2,070
Non-current liabilities		10,379	12,974
Loans and borrowings	18	1,529	1,475
Trade payables	19	254	205
Current tax liabilities		43	96
Other liabilities and accruals	20	407	383
Current liabilities		2,233	2,159
Total liabilities		12,612	15,133
Total equity and liabilities		46,705	46,930

Belgrade, 11 May 2012

HOTELIJERSKO AKCIONARSKO DRUŠTVO
BEOGRADSKO MEŠOVITO PREDUZEĆE AD, BEOGRAD





Tihomir Trivunac
General Director

Christoph Brueckner
Financial Director

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STATEMENT OF CASH FLOWS FOR 2011

In thousands of EUR	2011	2010
Cash flows from operating activities		
Profit for the year	1,822	2,123
Adjustments:		
Depreciation and amortization	1,671	1,578
Foreign exchange losses/(gains), net	164	1,442
Financial expenses (including withholding taxes)	404	539
Change in trade receivables	59	(27)
Change in other receivables	(47)	(102)
Change in inventories	20	33
Change in accounts payable and other current liabilities	73	(305)
Other	(71)	155
Net cash from operating activities	4,095	5,436
Cash flows from investing activities		
Purchases of equipment and additions to buildings	(1,992)	(580)
Purchases of intangible assets	(72)	(31)
Change in financial investments	60	14
Interest received	42	53
Net cash used in investing activities	(1,962)	(544)
Cash flows used in financing activities		
Decrease in long-term debt	(2,715)	(4,845)
Interest paid	(362)	(592)
Net cash used in financing activities	(3,077)	(5,437)
Net decrease in cash and cash equivalents	(944)	(545)
Cash and cash equivalents at 1 January	1,885	2,430
Cash and cash equivalents at 31 December	941	1,885

STATEMENT OF CHANGES IN EQUITY FOR 2011

In thousands of EUR	Share Capital	Reserves	Accumulated loss	Total
Balance at 1 January 2010	30,860	16,957	(18,143)	29,674
Profit for the year	-	-	2,123	2,123
Total comprehensive income for the year	-	-	2,123	2,123
Balance at 31 December 2010	30,860	16,957	(16,020)	31,797
Balance at 1 January 2011	30,860	16,957	(16,020)	31,797
Profit for the year			1,822	1,822
Other comprehensive income - appraisal effects	-	474	-	474
Total comprehensive income for the year	-	474	1,822	2,296
Balance at 31 December 2011	30,860	17,431	(14,198)	34,093

1 REPORTING ENTITY

Hotelijersko Akcionarsko Društvo Beogradsko Mešovito Preduzeće AD 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 2011), 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.

In 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.

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 Popovića 5.

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

As of 31 December 2011, the Company had 197 employees (31 December 2010: 209 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 authorized for issue by the Board of Directors on 11 May 2012.

(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

These Financial Statements are presented in euro, which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest thousands, except when otherwise indicated.

(d) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRSs requires management to make judgments, 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 recognized in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes: Notes 3d, 11 Property, equipment and intangible assets, Note 10 – deferred taxes and Note 22– contingent liabilities.

3 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 currency

In preparing the financial statements, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the average rate of exchange. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date when the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognized in profit and loss.

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

Currency	31 December 2011	31 December 2010
RSD	104.6409	105.4982
USD	80.8662	79.2801

(c) **Financial instruments**

/i/ Non-derivative financial assets

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

The Company derecognizes 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 in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized 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 recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized 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 recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized 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 and equipment are measured 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 initial 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 were credited to revaluation reserves whereas negative effects 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.

The subsequent appraisal of property and equipment was performed by independent appraisals as of 31 December 2011, and the applied valuation methodology for property and equipment was market value and depreciated replacement cost, respectively. Excess of fair value of land over its carrying amount by EUR 912 thousand was credited to revaluation reserves, while the difference between the fair values of building and equipment being lower than respective carrying amounts by EUR 438 thousand (buildings EUR 85 thousand and equipment EUR 353 thousand) was charged against revaluation reserves.

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. Any gain or loss on disposal of an item of property and equipment, calculated as the difference between the net proceeds from disposal and the carrying amount of the item, is recognized in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance is expensed as incurred.

Items of property and equipment are depreciated on a straight-line basis in profit or loss over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of lease term. Land is not depreciated. Items of property and equipment are depreciated from the date that they are installed and are ready for use.

The estimated useful lives for the current and comparative year of significant items of property and equipment are as follows:

- Buildings – fixtures 33 - 50 years
- Furniture 6.6 - 10 years
- Other equipment 4 - 10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) Intangible assets

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

The estimated useful lives for the current and comparative year are from 4 to 10 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(f) Leased assets

Leases in terms of which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

(g) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories 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.

(h) Impairment

/i/ 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 there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss events had an impact on the estimated future cash flows of that asset that can be estimated reliably.

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

The Company considers evidence of impairment for financial assets measured at amortized cost (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 amortized 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 recognized in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

/ii/ 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 recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU 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 or CGU. 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 CGUs.

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

For other assets, 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 amortization, if no impairment loss had been recognized.

(i) 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 is provided.

/ii/ Other long term employee benefits

Pursuant to the effective labor 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 2011 based on the management's estimate that such provision is immaterial to these financial statements.

/iii/ Termination benefits

Termination benefits are recognized as an expense when the Company is demonstrably committed, 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 recognized 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.

(j) Provisions

A provision is recognized 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 recognized as finance cost.

(k) 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 recognized, the relating expenditure is also recognized (the matching principle).

(l) Leases

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(m) Finance income and finance cost

Finance income comprises interest income and foreign exchange gains. Interest income is recognized 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 recognized 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.

(n) Tax

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

Current tax represents an amount calculated and payable under the Serbian Income Tax Law. The income tax rate for 2011 is 10% (2010: 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 recognized 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 recognized 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, using tax rates enacted or substantively enacted at 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 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 realized simultaneously.

A deferred tax asset is recognized for unused tax credits, to the extent that it is probable that future taxable profits will be available against which they can be utilized. 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 realized.

(o) 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 non-public joint stock company whose equity or debt instruments are not quoted on the Stock Exchange or any other active market.

(p) 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 2011, 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 and 11 for property and equipment and Note 21 for financial instruments.

5 REVENUE

In thousands of EUR	2011	2010
Rooms	7,971	9,250
Food	2,417	2,534
Beverage	988	1,067
Rent	485	541
Fitness club	440	461
Other	727	862
Total	**13,028**	**14,715**

6 COST OF MATERIALS AND GOODS SOLD

In thousands of EUR	2011	2010
Food	848	879
Raw materials	423	377
Gas	194	190
Electricity	283	236
Cost of goods sold	188	204
Other	173	255
Total	**2,109**	**2,141**

7 STAFF COSTS

In thousands of EUR	2011	2010
Gross salaries	2,002	1,664
Temporary staff costs	414	428
Taxes and contributions	920	901
Other	166	151
Total	**3,502**	**3,144**

8 OTHER EXPENSES

In thousands of EUR	2011	2010
Transportation	113	108
Maintenance	92	110
Software maintenance	88	109
Marketing	213	224
Security	106	111
Entertainment	151	157
Insurance	128	105
Gold passport fees	143	139
Credit cards fees	131	161
Basic management fees	389	436
Incentive fees	820	1,033
City land tax	181	171
Reservation centre	141	99
Other	651	594
Total	**3,347**	**6,6943,557**

In accordance with the Management Agreement, basic management fee of EUR 389 thousand (2010: EUR 436 thousand) and incentive fee of EUR 820 thousand (2010: EUR 1,033 thousand) relate to fees incurred to Hyatt International (Europe, Africa, Middle East) Ltd for managing and operating the hotel.

9 FINANCE INCOME AND FINANCE COSTS

Financial income relate to:

In thousands of EUR	2011	2010
Interest income	42	53
Total	**42**	**53**

Finance costs relate to:

In thousands of EUR	2011	2010
Interest expenses	364	533
Foreign exchange losses	164	1,442
Total	**528**	**1,975**

10 TAXES

(a) Tax expenses of the period

In thousands of EUR	2011	2010
Current tax	136	96
Deferred tax	(45)	154
Total	**91**	**250**

(b) Reconciliation of effective tax rate

In thousands of EUR	2011	2010
Profit before tax	1,913	2,373
Income tax at the statutory tax rate of 10%	191	237
Tax effect of difference to statutory result	17	(114)
Effects of expenses that are not deductible in determining taxable profit	63	71
Utilized tax credits	(136)	(101)
Recognition of previously unrecognized tax credits	(142)	72
Derecognition of tax credits	135	-
Change in temporary differences	(33)	82
Other	(4)	3
Total	**91**	**250**
Effective tax rate	4.7%	10.5%

(c) Deferred tax assets and liabilities

In thousands of EUR	2011	2010
Deferred tax assets		
Tax credit carry forwards	721	709
Deferred tax liabilities		
Temporary differences on property, equipment and intangible assets	(2,746)	(2,779)
Net amount	**(2,025)**	**(2,070)**

Tax credits carry forward expire in the following periods:

Origination year	Expiration year	Total tax credits In thousands of EUR
2003	2013	136
2004	2014	103
2005	2015	341
2006	2016	41
2007	2017	25
2008	2018	65
2009	2019	-
2010	2020	4
2011	2021	142
Total		**857**

Tax credits carry forward relate to credits on investments in fixed assets. Deferred tax asset recognized in the amount EUR 721 thousand relate to tax credits carry forward which originate from the year of 2004 and onwards. Tax credit from the year of 2003 is derecognized because it is not probable that sufficient future taxable profits will be available against which the Company can utilize the benefits.

11 PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

In thousands of EUR	Land and Buildings	Equipment	Construction in progress	Total	Intangible assets
COST / REVALUATION					
Balance as at 1 January 2010	57,785	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	**57,971**	**13,163**	**80**	**71,214**	**657**
Balance as at 1 January 2011	57,971	13,163	80	71,214	657
Additions	400	1,592	-	1,992	72
Disposals	-	-	-	-	(110)
Transfers	-	-	-	-	-
Revaluation	(17,236)	(11,335)	-	(28,571)	-
Other	-	-	(80)	(80)	-
Balance as at 31 December 2011	**41,135**	**3,420**	**-**	**44,555**	**619**
ACCUMULATED DEPRECIATION AND AMORTIZATION					
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**
Balance as at 1 January 2011	17,038	10,416	-	27,454	449
Charge for the year	1,025	566	-	1,591	80
Disposals	-	-	-	-	(110)
Revaluation	(18,063)	(10,982)	-	(29,045)	-
Other	-	-	-	-	(75)
Balance as at 31 December 2011	**-**	**-**	**-**	**-**	**344**
Carrying amount					
- As at 31 December 2011	**41,135**	**3,420**	-	**44,555**	**275**
- As at 31 December 2010	**40,933**	**2,747**	**80**	**43,760**	**208**
- As at 1 January 2010	**41,795**	**2,616**	**366**	**44,777**	**223**

On its building property, the Company placed mortgage in favor of Markelia Enterprises Company Limited, Nicosia, Cyprus. Carrying amount of property under mortgage as of 31 December 2011 is EUR 31,880 thousand (2010: EUR 32,590 thousand).

Carrying amount of leased equipment as at 31 December 2011 is EUR 51 thousand, and it relates to vehicle acquired via finance lease.

As at 31 December 2011 appraisal of property and equipment was performed by independent appraisals, and the applied valuation methodology for property and equipment was market value and depreciated replacement cost, respectively (Note 3d). Excess of fair value of land over its carrying amount by EUR 912 thousand was credited to revaluation reserves, while the difference between fair values of building and equipment being lower than respective carrying amounts by EUR 438 thousand (buildings EUR 85 thousand and equipment EUR 353 thousand) was charged against revaluation reserves. (Note 17).

12 INVENTORIES

In thousands of EUR	2011	2010
Materials	104	168
Spare parts	118	122
Goods	104	56
Balance as at 31 December	**326**	**346**

13 TRADE RECEIVABLES

In thousands of EUR	2011	2010
Domestic trade receivables	100	141
Foreign trade receivables	25	22
Advances to suppliers	42	41
Other receivables	25	47
Allowance for impairment	-	-
Balance as at 31 December	**192**	**251**

14 FINANCIAL INVESTMENTS

Financial investments stated as at 31 December 2011 in the amount of EUR 120 thousand (2010: EUR 180 thousand) refer to the short term loan approved to related party Excelsior AD 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%.

15 OTHER RECEIVABLES

In thousands of EUR	2011	2010
Prepaid insurance	67	79
Prepaid expenses of software maintenance	34	31
Receivables for un-invoiced income	25	49
Other prepaid expenses	29	48
VAT receivables	141	90
Other	-	3
Balance as at 31 December	**296**	**300**

16 CASH AND CASH EQUIVALENTS

In thousands of EUR	2011	2010
RSD accounts	506	261
Accounts in EUR and USD	395	1,602
Cash in hand	40	22
Balance as at 31 December	**941**	**1,885**

17 CAPITAL AND RESERVES

The Company's share capital structure as of 31 December 2011 was as follows:

	Number of Ordinary Shares	Number of Preference Shares	Total Number of Shares	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 AD, Beograd	8	-	8	32	0.1
Balance as at 31 December	**7,417**	**750**	**24,501**	**30,860**	**100**

In 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 AD, Beograd – in bankruptcy and Naftna Industrija Srbije AD, Novi Sad resigned as shareholders of the Company during 2008, and sold their 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 2011.

(a) Ordinary shares

The subscribed, authorized, issued and fully paid-in capital consists of 7,417 ordinary shares.

(b) Preference shares

Pursuant to the Resolution of the Shareholders' Assembly in 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 as stated at the date of the Resolution. These shares were subject to procedure of share homogenization in 2006 and during 2008 these shares were sold to the majority shareholder.

Holders of preference shares have 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.

(c) Reserves

Reserves in the amount of EUR 17,431 thousand (2010: EUR 16,957 thousand) comprise of:

- former revaluation reserves in the amount EUR 15,662 thousand (2010: EUR 15,662 thousand) 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, and
- revaluation reserves from appraisal of property and equipment EUR 1,769 (2010: EUR 1,295) thousand relate to revaluation reserves from appraisal of property and equipment (Note 3d).

18 LOANS AND BORROWINGS

In thousands of EUR	2011	2010
Loan - Markelia Enterprises Company limited	8,317	10,904
Finance lease liabilities	37	-
Non – current liabilities	**8,354**	**10,904**
Loan - Markelia Enterprises Company limited	1,518	1,475
Finance lease liabilities	11	-
Current liabilities	**1,529**	**1,475**

Terms and conditions of outstanding loans were as follows:

In thousands of EUR	Interest rate	Currency	2011	2010
Loan - Markelia Enterprises Company limited	LIBOR+3%	USD	9,835	12,379
Finance lease liabilities	6.3%	EUR	48	-
Total			**9,883**	**12,379**

The long-term loan of EUR 9,835 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 favor of Belven, in order to collateralize the repayment of its long-term borrowings and related interest (Note 11).

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.

19 TRADE PAYABLES

In thousands of EUR	2011	2010
Advances received	157	55
Management fees to Hyatt International	68	122
Payables to domestic suppliers	24	26
Payables to foreign suppliers	5	2
Balance as at 31 December	**254**	**205**

20 OTHER CURRENT LIABILITIES AND ACCRUALS

In thousands of EUR	2011	2010
Deferred income membership fees	130	144
Accrued expenses	213	172
Accrual for litigation	22	22
Liabilities for deposits for leased premises	20	26
Other current payables	22	19
Total	**407**	**407**

21 FINANCIAL INSTRUMENTS

(a) Financial risk management

The Company has exposure to the following risks arising from 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.

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.

(b) 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.

The structure of trade receivables as of 31 December 2011 and 31 December 2010 is presented in the following table:

	2011		2010	
In thousands of EUR	Gross	Provision	Gross	Provision
Undue receivables	48	-	49	-
Receivables overdue 0-30 days	77	-	114	-
Receivables overdue more than 30 days	-	-	-	-
Total as at 31 December	**125**	**-**	**163**	**-**

Movements in bad debt provision are presented in following table:

In thousands of EUR	2011	2010
Balance as at 1 January	-	(65)
Provisions for the period	-	-
Derecognition of previously written-off receivables	-	65
Total as at 31 December	**-**	**-**

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 authorized for issue.

(c) 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.

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 2011						
Loans	9,835	9,835	759	759	6,071	2,246
Leases	48	48	5	6	37	-
Accounts payable	254	254	254	-	-	-
Accrued expenses	255	255	255	-	-	-
Total	**10,392**	**10,392**	**1,273**	**765**	**6,108**	**2,246**

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
Leases	-	-	-	-	-	-
Accounts payable	205	205	205	-	-	-
Accrued expenses	220	220	220	-	-	-
Total	**12,804**	**12,804**	**1,163**	**738**	**5,903**	**5,000**

(d) 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.

/i/ 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.

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	31 December 2011	31 December 2010	31 December 2011	31 December 2010
RSD	926	569	302	302
USD	53	93	9,907	12,501

/ii/ 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 2011	
RSD	(57)
USD	896
31 December 2010	
RSD	(24)
USD	1,128

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.

/iii/ 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).

In case an interest rate on long-term borrowings as of 31 December 2011, increase/decrease by 1 percent point annually, where other variables remain the same, the Company's profit for the year ended 31 December 2011 would be greater/less by the amount of EUR 109 thousand (2010 – EUR 154 thousand), as a result of a lower/higher interest expense.

(e) 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 2010.

The Company's net debt to equity ratio at the reporting date was as follows:

In thousands of EUR	2011	2010
Total liabilities	12,612	15,133
Less: Cash and cash equivalents	941	1,885
Net debt	11,671	13,248
Equity	34,093	31,797
Ratio net debt to equity	0.34	0.42

(f) 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 2011		31 December 2010	
In thousands of EUR	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	125	125	163	163
Other receivables	166	166	139	139
Financial investments	120	120	180	180
Cash and cash equivalents	941	941	1,885	1,885
Financial assets	**1,352**	**1,352**	**2,367**	**2,367**
Long-term liabilities	8,354	8,354	10,904	10,904
Accounts payable	254	254	205	205
Accrued expenses	255	255	220	220
Current portion of long-term liabilities	1,529	1,529	1,475	1,475
Financial liabilities	**10,392**	**10,392**	**12,804**	**12,804**

22 CONTINGENT LIABILITIES AND COMMITMENTS

Lawsuits

As of 31 December 2011, the Company is a defendant in nine lawsuits. The total value of legal proceedings filed against the Company amount to EUR 35 thousand, without potential penalty interest. The Company recognized 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.

23 RELATED PARTY TRANSACTIONS

In addition to the parent company and minority shareholders the Company's related parties include other companies within Lampsa Hellenic Hotel Group. As of 31 December 2011 and 2010 the balances and transactions with related parties relate to intercompany loan disclosed in Note 14, long-term borrowings disclosed in Note 18 and interest expense disclosed in Note 9.

Balances with related parties included in Statement of Financial Position:

In thousands of EUR	2011	2010
Financial investment – loan granted to Excelsior AD Beograd (Note 14)	120	180
Long term loan payable to Markelia Enterprises Company Limited (Note 18)	(9,835)	(12,379)

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

In thousands of EUR	2011	2010
Interest income on loan granted to Excelsior AD Beograd	5	7
Interest expense on long term loan payable to Markelia Enterprises Company Limited	362	533

Gross salaries paid to key management during the year of 2011 amount to EUR 873 thousand (2010: EUR 819 thousand), and represent amounts paid to General Director, General Manager of the Hotel, Director of finance and other departmental directors.

24 SUBSEQUENT EVENTS

There are no subsequent events that impact these financial statements for 2011 or that require separate disclosure.