EXCELSIOR A.D., BEOGRAD

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

Translation of the Auditors' Report issued in the Serbian language

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INDEPENDENT AUDITORS' REPORT

To the Assembly and Shareholders of EXCELSIOR a.d., Beograd

We have audited the accompanying financial statements (pages 2 to 28) of Excelsior a.d., Beograd (the "Company"), which comprise the balance sheet as at December 31, 2013, and the related income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of the significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law on Accounting of the Republic of Serbia, 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 and the Law on Audit of the Republic of Serbia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

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

Report on Other Requirements

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

Other Matter

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

Belgrade, April 30, 2014

Žarko Mijović
Certified Auditor

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

	Note	2013	*Audited by Another Auditor* 2012 *Restated*
OPERATING INCOME			
Sales revenues	5	132,069	132,651
Own work capitalized		320	80
Other operating income	6	1,466	1,490
		133,855	134,221
OPERATING EXPENSES			
Cost of materials	7	18,593	17,349
Staff costs	8	14,322	15,145
Depreciation, amortization and provisions	9	22,467	21,384
Other operating expenses	10	43,667	48,671
		99,049	102,549
PROFIT FROM OPERATIONS		34,806	31,672
Finance income	11	5,100	5,657
Finance expenses	11	18,595	33,658
Other income		5	649
Other expenses		4	225
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXES		21,312	4,095
INCOME TAXES	12		
Current income tax expense		(1,564)	(358)
Deferred tax benefit/(expense)		139	(186)
NET PROFIT		19,887	3,551

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

	Note	December 31, 2013	*Audited by Another Auditor* December 31, 2012
ASSETS			*Restated*
Non-current assets			
Intangible assets	13	481	543
Property, plant and equipment	14	780,421	752,618
Other long-term financial investments	15	15,133	11,279
		796,035	764,440
Current assets			
Inventories	16	1,256	2,835
Accounts receivable	17	2,128	2,191
Cash and cash equivalents	18	22,297	8,183
Value added tax and prepayments	19	18,278	15,102
Deferred tax assets	12 c	2,721	4,256
		43,959	28,311
Total assets		842,715	797,007
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	20	77,312	77,312
Revaluation reserves		456,877	456,877
Retained earnings		37,867	17,980
Loss		(41,688)	(41,688)
		530,368	510,481
Long-term provisions and liabilities			
Long-term borrowings	21	205,428	187,283
Current liabilities			
Short-term financial liabilities	22	22,730	16,489
Accounts payable	23	7,676	5,398
Other current liabilities		148	121
Value added tax and other public duties payable and accruals	24	2,379	2,288
Income taxes payable		1,071	358
		34,004	24,654
Deferred tax liabilities	12 c	72,915	74,589
Total equity and liabilities		842,715	797,007

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

	Share capital	**Revaluation Reserves**	**Retained Earnings**	**Loss**	**Total**
Audited by Another Auditor					
Balance, January 1, 2012	77,312	480,272	15,426	(41,688)	531,322
Opening balance adjustment	-	-	(997)	-	(997)
Balance, January 1, 2012, adjusted	77,312	480,272	14,429	(41,688)	530,325
Reconciliation due to increase of tax rate	-	(23,395)	-	-	(23,395)
Profit for the year	-	-	3,551	-	3,551
Balance, December 31, 2012	77,312	456,877	17,980	(41,688)	510,481
Balance, January 1, 2013	77,312	456,877	17,980	(41,688)	510,481
Profit for the year	-	-	19,887	-	19,887
Balance, December 31, 2013	77,312	456,877	37,867	(41,688)	530,368

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

	2013	*Audited by Another Auditor* 2012 *Restated*
Cash flows from operating activities		
Cash receipts from customers	146,038	143,118
Other receipts from operations	1,759	1,772
Cash paid to suppliers	(53,325)	(55,315)
Cash paid to and on behalf of employees	(14,322)	(15,145)
Interest paid	(10,645)	(12,036)
Income taxes paid	(851)	-
Other public duties paid	(6,758)	(5,735)
Net cash generated by operating activities	61,896	56,659
Cash flows from investing activities		
Purchase of property, plant and equipment	(66,039)	(35,807)
Other financial investments (net outflows)	(4,473)	(2,775)
Net cash used in investing activities	(70,512)	(38,582)
Cash flows from financing activities		
Long-term and short-term borrowings net inflows/(net outflows)	22,730	(20,587)
Net cash generated by/(used in) financing activities	22,730	(20,587)
Net increase/(decrease) in cash and cash equivalents	14,114	(2,510)
Cash and cash equivalents, beginning of year	8,183	10,693
Cash and cash equivalents, end of year	22,297	8,183

1. FOUNDATION AND ACTIVITY

The Hotel Shareholding Company involved in hotel, accommodation and tourist services “Excelsior” a.d., Beograd (hereinafter: the “Company”) was established on November 2, 1993.

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

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

The Company’s registration number is 100279522, whereas its tax identification number is 06934218.

As of December 31, 2013, the Company had 15 employees (December 31, 2012: 15 employees).

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

2.1. Basis of Preparation and Presentation of Financial Statements

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

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

However, until the preparation date of the accompanying financial statements, not all amendments to IAS/IFRS and IFRIC in effect for annual periods beginning on or after January 1, 2009 had been translated. In addition, the accompanying financial statements are presented in the format prescribed under the “Guidelines on the Prescribed Form and Content of the Financial Statements of Enterprises, Cooperatives and Entrepreneurial Ventures” (Official Gazette of the Republic of Serbia nos. 114/2006, 5/2007 – corrected, 119/2008, 2/2010, 101/2012 and 118/2012). Such statements represent the complete set of financial statements as defined under the law, which differ from those defined under the provisions of IAS 1, “Presentation of Financial Statements,” and differ in some respects from the presentation of certain items as required under the aforementioned standard.

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

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

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

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

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

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

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

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

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

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

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

- Amendments to IFRS 7 "Financial Instruments: Disclosures" – Amendments improving fair value and liquidity risk disclosures (revised in March 2009, effective for annual periods beginning on or after January 1, 2009);

- Amendments to IFRS 1 "First-Time Adoption of IFRS" – Additional Exemptions for First-Time Adopters. The amendments relate to assets in oil and gas industry and determining whether an arrangement contains a lease (revised in July 2009, effective for annual periods beginning on or after January 1, 2010);

- Amendments to various standards and interpretations resulting from the Annual Quality Improvement Project of IFRS published on April 16, 2009 (IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36, IAS 39, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, (amendments are to be applied for annual periods beginning on or after 1 January 2010, while the amendment to IFRIC is to become effective as of July 1, 2009);

- Amendments to IAS 38 "Intangible Assets" (revised in July 2009, effective for annual periods beginning on or after July 1, 2009);

- Amendments to IFRS 2 "Share-Based Payment": Amendments resulting from the Annual Quality Improvement Project of IFRS (revised in April 2009, effective for annual periods beginning on or after July 1, 2009) and amendments relating to group cash-settled share-based payment transactions (revised in June 2009, effective for annual periods beginning on or after January 1, 2010);

- Amendments IFRIC 9 "Reassessment of Embedded Derivatives" effective for annual periods beginning on or after July 1, 2009 and IAS 39 "Financial Instruments: Recognition and Measurement" – Embedded Derivatives (effective for annual periods beginning on or after June 30, 2009);

- IFRIC 18 "Transfers of Assets from Customers" (effective for annual periods beginning on or after July 1, 2009);

- "Conceptual Framework for Financial Reporting 2010" being an amendments to "Framework for the Preparation and Presentation of Financial Statements" (effective for transfer of assets from customers received on or after September 2010);

- Amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards" – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters (effective for annual periods beginning on or after July 1, 2010);

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.3. Standards and Interpretations in Issue not yet in Effect

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

- IFRS 9 “Financial Instruments” and subsequent amendments (effective date was not yet determined);
- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after January 1, 2016);
- Amendments to IFRS 10, IFRS 12 and IAS 27 - Exemption from Consolidation of Subsidiaries under IFRS 10 'Consolidated Financial Statements' (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IAS 19 - Defined Benefit Plans: Employee Contributions Statements' (effective for annual periods beginning on or after July 1, 2014);
- Amendments to IAS 32 “Financial Instruments: Presentation” – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IAS 36 “Impairment of Assets” - Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 1, 2014);
- Amendments to IAS 39 “Financial Instruments:” Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after January 1, 2014);
- Amendments resulting from Annual Improvements 2010-2012 Cycle issued in December 2013 (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after July 1, 2014);
- Amendments resulting from Annual Improvements 2011-2013 Cycle issued in December 2013 (IFRS 1, IFRS 3, IFRS 13 and IAS 40) with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after July 1, 2014);
- IFRIC 21 “Levies” (effective for annual periods beginning on or after January 1, 2014).

2.4. Use of Estimates

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

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

2.4.1. Depreciation and Amortization Charge and Rates Applied

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

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

2.4. Use of Estimates (Continued)

2.4.2. Impairment Allowance of Receivables

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

2.5. Fair Value

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1. Foreign Exchange Translation

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

Monetary assets, receivables and liabilities denominated in foreign currencies are translated into dinars by applying the official exchange rates as determined in the interbank foreign exchange market and prevailing at the balance sheet date. Non-monetary items are translated into dinars at the official middle exchange rate effective as at the transaction date.

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

Receivables under currency clause are translated into dinars at the middle exchange rate effective as at the balance sheet date. Foreign exchange positive or negative effects arising thereof are stated in the income statement, as gains or losses on the risk hedge effects within other income/expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Financial Instruments

Classification

The Company classifies its financial instruments into the following categories: loans and receivables and financial assets held to maturity. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are included within current assets unless their maturities are longer ha 12 months from the balance sheet date, in which case they are classified as non-current assets.

Receivables comprise dometic and foreign accounts receivables and other receivables.

Accounts receivables are stated at their nominal value, i.e. invoiced amounts less discounts approved and net of allowance for impairment of receivables deemed irrecoverable based on the individual recoverability assessment. Imapirmen allowances are made for the receivables for which there is objective evidence of impairment, i.e. for those assessed by the management as uncollectable in full. Impairmen allowances are recorded under expenses within the income statement after the assessment.

Cash and Cash Equivalents

For the purposes of cash flow statement, cash and cash equivalents include cash on hand and balances on accounts held with commercial banks.

Held-to-Maturity Financial Assets

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and the ability to hold them to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale. In the instance the Company decides to sell the significant portion of held-to-maturity financial assets, whole category will be reclassified as available for sale. Held-to-maturity investments are classified as non-current assets unless they mature within less than 12 months from the balance sheet date, in which case they are classified as current assets.

Recognition of Financial Assets

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

Measurement of Financial Assets

Financial instruments are initially measured a market value which includes transaction costs for all types of financial assets and liabilities.

Loans and receivables, as well as held-to-maturity investments are carried at amortized cost using the effective interest method.

Derecognition of Financial Assets

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

Amortized Cost Measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Financial Instruments (Continued)

Fair Value Measurement

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

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

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

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

Impairment of Financial Assets

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

All recievables assessed as irrecoverable are provided for in the full amounts matured and uncollected.

Decisions on forming impairment allowances of accounts receivable via the impairment allowance account are made by the Company’s Director.

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

Financial Liabilities

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

Financial laibilities comprise borrowings obtained from banks and related parties. A liability per borrowing is classified as current if expected to be settled in the egular business cycle , i.e. if it matures within 12 months after the balance sheet date. All othe liabilities are classified as non-current.

Borrowings with currency clause index are determined in the RSD equivalent of the foreign currency oustanding loan amount. Gains and losses arising from the currency clause application are included in the income statement as finance income and finance expenses for revaluation effects using consumer pice index.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Financial Instruments (Continued)

Accounts Payable

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

3.3. Intangible Assets

Intangible assets are non-monetary assets (do not represent tangible physical assets) such as accounting software. Such assets are likely to be generating economic benefits in excess of related expenditures for periods longer than a year.

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

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

Amortization of intangible assets commences in the month following the one when an intangible asset is placed in use. Amortization is provided on the base comprised of cost net of residual value. If the residual value is immaterial, it is not taken into account upon calculating amortization, i.e. it is not netted of the amortization base.

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

This review of the useful lives of fixed assets has no impact on prior periods that have retroactive application.

3.4. Property and Equipment

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

In order to reduce the value of its property and equipment to their fair market value, the Company hired a certified independent appraiser to assess the value of property and equipment as at February 28, 2008, and positive impact of aapriasal is recorded within revaluation reserve. Valuation of property and equipment was performed by using the market value method.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4. Property and Equipment (Continued)

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

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

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

Asset description	Useful life (years) 2013	Useful life (years) 2012
Buildings	33	33
Computer equipment	4.16	4.16
Motor vehicles	6.6	6.6
Furniture and other equipment	6.6	6.6

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

Depreciation methods, useful lives and residual values are reassessed at each financial year-end and adjusted if appropriate.

Consequently, in accordance with the provisions of IAS 16, the management of the Company reviewed the useful lives of fixed assets at the end of financial year 2009 and came to the conclusion that the previous useful life is not really defined, so the decision of directors determined to do corrections for the remaining usefull life.

This review of the useful lives of fixed assets has no impact on prior periods that have retroactive application.

3.5. Inventories

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

The cost of raw material is determined using the weighted-average method.

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

3.6. Employee Benefits

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Employee Benefits (Continued)

Long-Term Employee Benefits - Obligations for Retirement Benefits and Anniversary Awards

Pursuant to the Collective Bargaining Agreement on Salaries, the Company is obligated to pay retirement benefits in an amount equal to three gross average salaries of the vesting employee earned in the month preceding the month of retirement benefit payment, which cnnot be lower that three aveage gross salaires paid in the Republic of Serbia in the month preceding the month of retirement benefit payment.

In the Company's assessment, the amount of liabilities for retirement benefits as of December 31, 2013 was immaterial. Accordingly, the Company did not provide for the aforesaid liabilities as at the reporting date.

In addition, the Company may enact a decision on jubilee award payment at the prosal of the employee union.

The Company does not have defined benefit plans or share-based remuneration options and there are no identified liabilities thereof as of December 31, 2013.

Short-Term Compensated Absences

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

In the Company's assessment, the amount of liabilities for unused annual leaves as of December 31, 2013 was immaterial. Accordingly, the Company did not provide for the aforesaid liabilities as at the reporting date.

3.7. Provisions

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

3.8. Equity

The Company's equity is comprised of the share capital, revaluation reserves and retained earnings.

3.9. Income

Sales of Products and Services

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

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

Finance Income

Finance income includes interest income, foreign exchange gains and other finance income. Interest income is recognized on an accrual basis in the income statement of the period it relates to.

Other Income

Other income includes: recovery of bad debts and correction of immaterial errors from prior year and other income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10. Expenses

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

Operating Expenses

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

Finance Expenses

Finance expenses encompass interest expenses, foreign exchange losses and other finance expenses. Interest expenses compise interest accrued on borowings, which is recorded ithin th eincome statement of the period it relates to as per the"matching principle."

Other Expenses

Other expenses include costs of damages casued to hotel guests and miscellaneous other expenses.

3.11. Income Taxes

Current Income Tax

Income tax is amount calculated and paid pursuant to the effective Corporate Income Tax Law of the Republic of Serbia. Current income tax is payable at the legally prescribed rate of 10% (from January 1, 2013: 15%) on the tax base determined within the tax balance and reported in the annual corporate income tax return. The taxable base stated in the income tax return includes the profit before taxation shown in the statutory statement of income, as adjusted for differences that are specifically defined under statutory tax rules of the Republic of Serbia, less any prescribed tax credits and holidays.

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

The tax regulations of the Republic of Serbia do not envisage that any tax losses of the current period be used to recover taxes paid within a specific carryback period. However, current period tax losses, except for those giving rise to capital gains or losses, may be used to reduce or eliminate taxes to be paid in future periods for duration of no longer than five ensuing years.

Deferred Income Tax

Deferred income taxes are provided using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. The currently enacted tax rates or the substantively enacted rates at the balance sheet date are used to determine the deferred income tax amount. Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, and the tax effects of income tax losses and credits are available for carryforward, to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the tax loss/credits of the carryforwards can be utilized.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.12. Earnings per Share and Segment Reporting

Net profit for the year 2013 amounted to RSD 19,887 thousand and the number of ordinary shares outstnding is 77,311, which means that earnings per share amounted to RSD 257.2.

4. FINANCIAL RISK MANAGEMENT

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

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

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

4.1. Market Risk

(a) Foreign Currency Risk

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

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

	December 31, 2013	December 31, 2012
	Assets	
EUR	37,430	21,653
Total:	37,430	21,653
	Liabilities	
EUR	228,158	203,772
Total:	228,158	203,772
Net foreign currency position	(190,728)	(182,119)

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

	December 31, 2013		December 31, 2012	
	+10%	-10%	+10%	-10%
(Loss)/Profit	(19,073)	19,073	(18,212)	18,212

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1. Market Risk (Continued)

(b) Interest Rate Risk

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

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

	2013	2012
Instruments at variable interesst rates		
Financial assets	15,133	11,279
Financial liabilities	(228,158)	(203,772)
	(213,025)	**(192,493)**

Given the fact that the Company is not in possession of significant interes-bearing assets, the company'sincomeandcash flows are largeley indenepndent of the changes in the market interest rates. The Company's interest rate risk is primarily a result of the liabilities for the long-termborrowing obtained from a related party. The loan was approved at variable interest rate and exposes the company to the cashflow interest rate risk. In 2013, the liabilities per the aforesaid loan had varaibleinterest rates index-linked to LIBOR andstated in the foreign currency (USD).

The Company analyzes its exposure to interest rate risk on a dynamic basis taking into consideration the alternative sources of financing and refinancing, of long-term liabilities in the first place, as these represent the most important interest-bearing position. Risk management activities are aimed at optimization of net interest expenses on condition that market interest rates are at the level that is in line with the Company's business strategy.

The sensitivity analysis presented in the following text has been established based on the Company's exposure to interest rate risk inherent in non-derivative instruments as of the balance sheet date. For liabilities with variable interest rate, the analysis has been prepared under the assumption that the outstanding balance of assets and liabilities as of the balance sheet date remained constant throughout the year. The increase or decrease in interest rates of 1 percentage point represents the fluctuation reasonably anticipated by the management. Had interest rate been 1 percentage point higher/lower and all the other variables remained unchanged, the Company would have incurred operating loss of RSD 213 thousand in the year ended December 31, 2013 (December 31, 2012: RSD 192 thousand). Such situation is attributed to the Company's exposure based on the variable interest rates applied to long-term borrowings and other long-term liabilities.

4.2. Liquidity Risk

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

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

The Company has access to various sources of financing. Funds are raised through long-term and short-term borrowings.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.2. Liquidity Risk (Continued)

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

	Within 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	Over 5 Years	Total
Cash and cash equivalents	22,297	-	-	-	22,297
Accounts receivable	2,115	-	-	-	2,115
Long-term investments	-	-	-	15,133	15,133
Total	24,412	-	-	15,133	39,545
Short-term financial liabilities	-	22,730	-	-	22,730
Accounts payable	5,695	-	-	-	5,695
Long-term financial liabilities	-	-	-	205,428	205,428
Total	5,695	22,730	-	205,428	233,853
Liquidity gap at December 31, 2013	**18,717**	**(22,730)**	**-**	**(190,295)**	**(194,308)**

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

	Within 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	Over 5 Years	Total
Cash and cash equivalents	8,183	-	-	-	8,183
Accounts receivable	2,123	-	-	-	2,123
Long-term investments	-	-	-	11,279	11,279
Total	10,306	-	-	11,279	21,585
Short-term financial liabilities	-	16,489	-	-	16,489
Accounts payable	5,137	-	-	-	5,137
Long-term financial liabilities	-	-	-	187,283	187,283
Total	5,137	16,489	-	187,283	208,909
Liquidity gap at December 31, 2012	**5,169**	**(16,489)**	**-**	**(176,004)**	**(187,324)**

4.3. Credit Risk

Credit risk relates to the exposure inherent in the possibility that the contractual party fails to act upon its contractual commitments and causes the Company to suffer loss. The Company's exposure to this risk is primarily related to cash and cash equivalents, deposits placed with banks and financial institutions, investments in securities and receivables from legal entities and private individuals and contingent liabilities.

The Company manages credit risk by undertaking certain measures andactivities on the Company level.

The Company uses the following collection mechanisms: payment ofsetting with legal entities, legal suit instigation, out-of-court settlements and others.

As of December 31, 2013, the Company was in possession of cash and cash equivalents totaling RSD RSD 22,297 thousand (December 31, 2012: RSD 8,183 thousand), which, in the assessment of the management, represents the maximum credit risk exposure per these financial assets.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3. Credit Risk (Continued)

Accounts Receivable

The maximum credit risk expsoure of the Company for receivables per geoographic regionis provided in the table below:

	2013	2012
Domestic accounts receivable	428	444
Foreign accounts receivable	1,687	1,679
Total	**2,115**	**2,123**

The most significant customers are presented in the following table:

	December 31, 2013	December 31, 2012
Gulliver's Travel Associates	1,671	1,300
Tobias Doering Viking Catering a.g.	-	400
OESCE, Belgrade	-	107
Other customers	444	316
Less: Allowance for impairment of receivables	-	-
	2,115	2,123

Impairment Allowance

The aging structure of receivables is povided below:

	Gross 2013	Impairment Allowance 2013	Gross 2012	Impairment Allowance 2012
Receivables not matured	2,115	-	2,123	-
From 0 to 30 days past-due	-	-	-	-
From 31 to 60 days past-due	-	-	-	-
From 61 to 90 days past-due	-	-	-	-
From 91 to 120 days past-due	-	-	-	-
From 121 to 360 days past-due	-	-	-	-
Over 360 days past-due	-	-	-	-
Total	**2,115**	**-**	**2,123**	**-**

4.4. Capital Risk Management

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

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

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

4. FINANCIAL RISK MANAGEMENT (Continued)

4.4. Capital Risk Management (Continued)

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

	2013	2012
Debt *	228,158	203,772
Cash and cash equivalents	(22,297)	(8,183)
Net debt	205,861	195,589
Total equity **	530,368	510,481
Debt to equity ratio ***	**0.39**	**0.38**

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

4.5. Fair Value

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

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

5. SALES

	2013	2012 *Restated*
Accommodation	106,904	113,279
Food	20,498	14,535
Daily rests	1,220	1,259
Other	3,447	3,578
Total	**132,069**	**132,651**

6. OTHER OPERATING INCOME

	2013	2012 *Restated*
Rent	1,466	1,490
Total	**1,466**	**1,490**

7. COST OF MATERIALS AND COST OF GOODS SOLD

	2013	2012 *Restated*
Food, beverage and other restaurant goods	8,434	8,410
Maintenance	4,619	3,000
Electricity	2,956	2,732
Heating	2,584	3,207
Total	**18,593**	**17,349**

8. STAFF COSTS

	2013	2012 *Restated*
Gross salaries	7,697	7,989
Taxes and contributions charged to the employer	1,379	1,432
Author's fees	4,747	4,657
Other staff costs	499	1,067
Total	**14,322**	**15,145**

9. DEPRECIATION, AMORTIZATION AND PROVISIONS

	2013	2012 *Restated*
Depreciation and amortization charge:		
- property and equipment	22,405	21,321
- intangible assets	62	63
Total	**22,467**	**21,384**

10. OTHER OPERATING EXPENSES

	2013	2012 *Restated*
Telecommunications	3,293	2,053
Maintenance	992	1,192
Marketing and advertising	15	27
City sanitation	367	400
Water charges	898	733
Sanitation	135	132
Security	1,539	1,275
Other services	2,834	2,717
Cost of consultant and lawyer services	16,192	23,442
Entertainment	472	283
Insurance premiums	396	293
Bank charges	1,295	1,489
Cost of securing guest arrivals	6,255	5,182
Membership fees	63	-
Indirect taxes and contributions	3,347	3,680
Fees for the use of city construction land	2,158	2,055
Other non-material expenses	3,416	3,718
Total	**43,667**	**48,671**

11. FINANCE INCOME AND EXPENSES

	2013	2012 *Restated*
Finance income		
Interest income	341	148
Foreign exchange gains	4,759	5,509
Total	**5,100**	**5,657**
Finance expenses		
Interest expenses	10,647	11,774
Interest expenses from BMP's related party	-	262
Foreign exchange losses	6,818	21,622
Other finance expenses	1,130	-
Total	**18,595**	**33,658**

12. INCOME TAXES

a) Components of Income Taxes

	2013	2012
Current income tax expense	(1,564)	(358)
Deferred tax income/(expense)	139	(186)
Total income tax benefit/(expenses) for the period	**(1,425)**	**(544)**

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

	2013	2012
Profit before taxes	21,312	4,095
Income taxes at the statutory tax rate of 15%	3,197	410
Prior years' tax loss carryforwards	-	(499)
Tax credits for capital expenditures realized in the current year	(3,649)	(836)
Tax credits utilized	1,535	500
Effects of the movements on deferred tax assets and liabilities	-	306
Other	342	663
Total income taxes stated in Income statement – income tax expense / (benefit)	**1,425**	**544**

c) Deferred tax assets and liabilities

	2013	2012
Deferred tax assets		
Tax loss carryforwards	-	-
Tax credit carryforwards	2,721	4,256
Total	**2,721**	**4,256**
Deferred tax liabilities		
Balance, beginning of year	74,589	50,888
Reconciliation due to increase of tax rate to 15%	-	22,394
Temporary differences on property and equipment	(1,674)	1,307
Total	72,915	74,589
Deferred tax liabilities, net	**(70,194)**	**(70,333)**

13. INTANGIBLE ASSETS

Movements on intangible assets are provided in the following table:

	Licenses and Software	Total
Cost		
Balance, January 1, 2013	782	782
Balance, December 31, 2013	782	782
Accumulated Amortization		
Balance, January 1, 2013	239	239
Charge for the year	62	62
Balance, December 31, 2013	301	301
Net Book Value:		
- December 31, 2012	543	543
- December 31, 2013	481	481

14. PROPERTY AND EQUIPMENT

Movements on property and equipment were as follows:

	Land	Buildings	Equipment	Construction in Progress and Advances	Total
Cost					
Balance at January 1, 2013	200,786	603,398	21,719	14,266	840,169
Additions	-	3,009	2,008	45,190	50,207
Transfers	-	10,903	3,388	(14,291)	-
Other	-	-	-	1	1
Balance, December 31, 2013	200,786	617,310	27,115	45,166	890,377
Accumulated Depreciation					
Balance, January 1, 2013	-	77,173	10,378	-	87,551
Charge for the year	-	18,338	4,067	-	22,405
Balance, December 31, 2013	-	95,511	14,445	-	109,956
Net book value					
December 31, 2012	200,786	526,225	11,341	14,266	752,618
December 31, 2013	200,786	521,799	12,670	45,166	780,421

According to the loan agreement with NBG-London Bank there is a first class mortgage based on pledge executable statement established in the Land Registry on the following property:

Office building with undetermined purpose, ground plus 7 floors situated at no. 5, Kneza Milosa Street, Belgrade, cadaster lot4939, the number of lot, building or structure under 1. listed in Deed No. 2807. Cadastral Municipality Vračar. As at December 31, 2013, the net book value of the pledged building amounted to RSD 526,225 thousand.

15. OTHER LONG-TERM FINANCIAL INVESTMENTS

Long-term investments totaling RSD 15,133 thousand relate to cash funds deposited with Vojvođanska banka, which acts as an agent regarding the loan approved by the NATIONAL BANK OF GREECE SA (Note 21). These funds shall be depoisted up to the date of the loan maturity.

16. INVENTORIES

	December 31, 2013	December 31, 2012 *Restated*
Materials	582	446
Spare parts		
Tools and fixtures	443	1,954
Less: Allowance for impairment	-	-
Advances paid to suppliers	231	435
Less: Allowance for impairment	-	-
Balance, December 31	**1,256**	**2,835**

17. ACCOUNTS RECEIVABLE

	December 31, 2013	December 31, 2012 *Restated*
Accounts receivable		
Domestic accounts receivable	428	444
Foreign accounts receivable	1,687	1,679
Less: Allowance for impairment	-	-
	2,115	**2,123**
Other receivables		
Receivables from employees	20	70
Other receivables	(7)	(2)
Less: Allowance for impairment	-	-
Balance, December 31	**2,128**	**2,191**

18. CASH AND CASH EQUIVALENTS

	December 31, 2013	December 31, 2012 *Restated*
RSD account	17,768	256
Deposited funds	1,467	1,112
Foreign currency accounts	3,062	6,815
Balance, December 31	**22,297**	**8,183**

19. VALUE ADDED TAX AND PREPAYMENTS

	December 31, 2013	December 31, 2012 *Restated*
Value added tax receivables	18,174	15,008
Other	104	94
Balance, December 31	**18,278**	**15,102**

20. EQUITY AND RESERVES

The Company's core capital is entirely comprised of common shares. As of december 31, 2013, share capital was divided into 77,311 common shares with indiividual par value of RSD 1,000. All shares issued are fully paid in.

The Company's majority owner is Lampsa AE, Athens, Greece with 80.33% shares and voting rights.

The Company's shareholding structure at December 31, 2013 was as follows:

Shareholder	Share Count	RSD '000	%
Lampsa AE Athens, Greece	62,104	62,104	80.33%
Other shareholders – private individuals	15,029	15,029	19.44%
Collective, custody account	179	179	0.23%
Total	**77,312**	**77,312**	**100.0%**

The Company's reserves totaling RSD 456,877 thousand (2012: RSD 456,877 thousand) relate to revaluation reserves based on the appraisal of property and equipment (Note 3.4).

21. LONG-TERM BORROWINGS

	December 31, 2013	December 31, 2012 *Restated*
Long-term borrowings from banks	205,428	203,772
Less: Current portion of long-term borrowing		
- long-term borrowings from banks	-	(16,489)
- long-term finance lease liabilities	-	-
Balance, December 31	**205,428**	**187,283**

Long-term borrowings are comprised of:

	EUR	December 31, 2013	December 31, 2012 *Restated*
NATIONAL BANK OF GREECE SA LONDON BRANCH	1,791,905	205,428	203,772
		205,428	203,772

Long-term borrowings refer to the loan approved to the Company with the repayment due up to 2018 at the annual interest rate of 3-month EURIBOR +3.5%. the loan is repaid in quarterly installments. The loan was originally appoved in the amount of EUR 1,235 thousand and with maturity up to 2015. On March 29, 2010, the Company and National Bank of Greece SA and Vojvođanska banka a.d., Novi Sad executed another agreement whereby the loan amount was increased to EUR 2,200 thousand and matuirty up to 2017. The said agreement was annexed on August 6, 2012 and th eloan maturity was extended to 2018.

22. SHORT-TERM FINANCIAL LIABILITIES

	December 31, 2013	December 31, 2012 *Restated*
Current portion of long-term loans	-	16,489
Short-term loan from Alpha Bank	22,730	-
Balance, December 31	**22,730**	**16,489**

22. SHORT-TERM FINANCIAL LIABILITIES (Continued)

A liability to Alpha Bank a.d., Beograd stated at December 31, 2013 in the amount of RSD 22,730 thousand relates to the loan approved on December 2, 2013 for a period of twelve months and at an interest rate of 1M EURIBOR+4.25% p.a.

23. ACCOUNTS PAYABLE

	December 31, 2013	December 31, 2012 *Restated*
Domestic accounts payable	5,695	5,137
Advances received	323	261
Other liabilities from specific operations	1,658	-
Balance, December 31	**7,676**	**5,398**

24. ACCRUALS

	December 31, 2013	December 31, 2012 *Restated*
Accrued expenses	2,379	2,288
Balance, December 31	**2,379**	**2,288**

At December 31, 2013 the Company was involved in several legal proceedings on various grounds. Based on the opinions of attorneys engaged and management's estimates, the aggregate liability for these proceedings was accrued in the amount of RSD 2,379 thousand.

25 RELATED PARTY DISCLOSURES

In the regular course of business, the Company enters into transactions with its related parties. The transactions entered into by the Company and its related parties are governed by relevant contracts and performed under arm's length terms. Related party transction are presented in Notes to the financial statements (Section 11 – Financial income and expenses and Section 10 – Other operating expenses).

26. CONTINGENT LIABILITIES

Land and building property stated as of December 31, 2013 in the amount of RSD 722,585 thousand are in the Company's ownership based on denationalization of property performed in an earlier period. Pursuant to the Agreement on the Acquisition of Socially-Owned Capital executed with the Serbian Business Registers Agency, the majority owner is also aware that the Company's assets include nationalized property and agrees to handle such property pursuant to the relevant law. Until the issuance of these financial statements, laws and other formal acts regulating this area had not yet been enacted. The Company's management judges that the Company will not suffer adverse effects arising from the issue of regulating nationalized property and will not be required to make payments in this respect.

27. TAXATION RISKS

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

28. EVENTS AFTER THE REPORTING PERIOD

There have been no significant events subsequent to the reporting date that would require adjustments to or additional disclosures in the Company's financial statements.

29. EXCHANGE RATES

The official middle exchange rates for certain major currencies as determined in the Interbank Foreign Exchange Market and used in the translation of the balance sheet components denominated in foreign currencies into dinars were as follows:

	December 31, 2013	December 31, 2012
EUR	114.6421	113.7183

APPENDIX 1 and 2

APPENDIX 1

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

	Note	2013	*Audited by another auditor* 2012 *Restated*
Operating income		**1,184**	**1,187**
Revenue	5	1,168	1,173
Revenue from undertaking for own purposes		3	1
Other operating income	6	13	13
Operating expenses		**876**	**907**
Cost of materials	7	164	153
Staff costs	8	127	134
Depreciation and provision costs	9	199	189
Other operating expenses	10	386	431
Operating profit		**308**	**280**
Financial income	11	**45**	**50**
Financial expenses	11	**165**	**298**
Other income		**-**	**6**
Other expenses		**-**	**2**
Profit before tax		**188**	**36**
Tax on profit	12	**12**	**5**
Tax expense of a period		13	3
Deferred tax expense of a period		-	2
Deferred tax income of a period		1	-
Net profit for the year		**176**	**31**

Note:

In accordance with the majority shareholder requirements, the Company's financial statements prepared in accordance with the accounting regulations of the Republic of Serbia and presented in the Company's Serbian dinar (functional currency) were translated into EUR (presentation currency).

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

APPENDIX 2

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

	Note	December 31, 2013	*Audited by another auditor* December 31, 2012 *Restated*
Assets			
Non-current assets		**6,944**	**6,722**
Intangible assets	13	4	5
Property, plants and equipment	14	6,808	6,618
Long-term financial investments	15	**132**	**99**
Other long-term financial investments		132	99
Current assets		**383**	**249**
Inventories	16	11	25
Short-term receivables, investments and cash		**372**	**224**
Receivables	17	19	19
Cash and cash equivalents	18	194	72
VAT and accrued expenses	19	159	133
Deferred tax assets	12	24	38
Total assets		**7,351**	**7,009**
Equity	20	**4,626**	**4,489**
Share capital		674	680
Revaluation reserves		3,985	4,018
Translation reserves		(4)	-
Retained earnings		334	158
Loss		(363)	(367)
Long-term provisions and liabilities		**2,089**	**1,864**
Long-term liabilities	21	**1,792**	**1,647**
Long-term loans		1,792	1,647
Short-term liabilities	22	**297**	**217**
Short-term financial liabilities		198	145
Operating liabilities	23	67	48
Other short-term liabilities		2	1
Liabilities derived from VAT and other public revenues and deferred expenses	24	21	20
Liabilities derived from tax on profit		9	3
Deferred tax liabilities	12	636	656
Total liabilities		**7,351**	**7,009**

Note:

In accordance with the majority shareholder requirements, the Company's financial statements prepared in accordance with the accounting regulations of the Republic of Serbia and presented in the Company's Serbian dinar (functional currency) were translated into EUR (presentation currency).

Translation of Balance Sheet as at December 31, 2013 and 2012 was performed using the following closing rates:
- December 31, 2013: 114.6421
- December 31, 2012: 113.7183