EXCELSIOR A.D., BEOGRAD

Financial Statements
Year Ended December 31, 2014 and
Independent Auditors' Report

Translation of the Auditors' Report issued in the Serbian language

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Translation of the Auditors' Report issued in the Serbian language

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements (pages 2 to 31) of Excelsior a.d., Beograd (the "Company"), which comprise the balance sheet as at December 31, 2014, and the related income statement, statement of other comprehensive income, 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 overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Excelsior a.d., Beograd as of December 31, 2014, and its financial performance and cash flows for the year then ended in accordance with the accounting regulations of the Republic of Serbia.

Emphasis of Matter

We draw attention to the fact that the accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As disclosed in note 2.7 to the financial statements, the Company's current liabilities exceeded its current assets by RSD 9,983 thousand as at December 31, 2014 whereas its cash outflows from overall activities exceeded the inflows by RSD 5,777 thousand. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might arise from resolving the aforesaid uncertainty. Our opinion is not modified in respect of this matter.

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.

Belgrade, April 20, 2015

Žarko Mijović
Certified Auditor

INCOME STATEMENT
Year Ended December 31, 2014
(Thousands of RSD)

	Note	2014	2013
OPERATING INCOME			
Sales revenues	5	126,943	132,069
Own work capitalized		-	320
Other operating income	6	1,819	1,466
		128,762	**133,855**
OPERATING EXPENSES			
Cost of materials	7	11,146	13,053
Cost of fuel and energy	8	6,169	5,540
Staff costs	9	16,853	14,322
Cost of production services	10	8,702	8,733
Depreciation, amortization and provisions	11	24,251	22,467
Non-material costs	12	24,447	34,934
		91,568	**99,049**
PROFIT FROM OPERATIONS		**37,194**	**34,806**
Finance income	13	1,765	5,100
Finance expenses	13	24,589	18,595
Other income	14	1,314	5
Other expenses	15	577	4
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXES		**15,107**	**21,312**
INCOME TAXES	16		
Current income tax expense		(1,629)	(1,564)
Deferred tax (expense)/benefit		(773)	139
NET PROFIT		**12,705**	**19,887**

STATEMENT OF OTHER COMPREHENSIVE INCOME
Year Ended December 31, 2014
(Thousands of RSD)

	2014	2013
NET OPERATING RESULT		
NET PROFIT FOR THE YEAR	**12,705**	**19,887**
OTHER COMPREHENSIVE INCOME	-	-
a) Items that will not subsequently be reclassified to the income statement	-	-
1. Gains/losses on revaluation of intangible assets, property, plant and equipment	-	-
2. Actuarial gains/losses based on defined benefit plans	-	-
3. Gains/losses on investments in equity instruments	-	-
4. Gains/losses from the share in the other comprehensive income of associates	-	-
b) Items that may subsequently be reclassified to the income statement	-	-
1. Foreign exchange gains/losses on translation of foreign operations	-	-
2. Gains/losses on hedging instruments designated in hedges of the net assets of foreign operations	-	-
3. Gains/losses on hedging instruments designated in hedges of the cash flows	-	-
4. Gains/losses on securities available for sale	-	-
TOTAL POSITIVE COMPREHENSIVE INCOME FOR THE YEAR, NET	**12,705**	**19,887**

BALANCE SHEET
As at December 31, 2014
(Thousands of RSD)

	Note	December 31, 2014	December 31, 2013
ASSETS			
Non-current assets			
Intangible assets	17	770	481
Property, plant and equipment	17	779,825	780,421
Other long-term financial investments	18	21,772	15,133
		802,367	796,035
Current assets			
Inventories	19	799	1,256
Accounts receivable	20	1,956	2,115
Other receivables	21	957	13
Cash and cash equivalents	22	16,338	22,297
Value added tax	23	13,562	18,174
Prepayments		418	104
Deferred tax assets	16 c	-	2,721
		34,030	46,680
Total assets		836,397	842,715
EQUITY AND LIABILITIES			
Equity and reserves			
Share capital	24	77,312	77,312
Revaluation reserves	24	456,877	456,877
Retained earnings		50,572	37,867
Loss		(41,688)	(41,688)
		543,073	530,368
Long-term provisions and liabilities			
Long-term provisions	25	1,720	1,720
Long-term borrowings	26	176,624	205,428
		178,344	207,148
Current liabilities			
Short-term financial liabilities	27	40,122	22,730
Advances and deposits received		167	323
Trade payables	28	3,638	5,843
Other current liabilities		86	1,658
Income taxes payable		-	1,071
Accruals		-	659
		44,013	32,284
Deferred tax liabilities	16 c	70,967	72,915
Total equity and liabilities		836,397	842,715

STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2014
(Thousands of RSD)

	Share capital	Revaluation Reserves	Retained Earnings	Loss	Total
Balance, January 1, 2013	77,312	456,877	17,980	(41,688)	510,481
Profit for the year	-	-	19,887	-	19,887
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	19,887	-	19,887
Balance, December 31, 2013	77,312	456,877	37,867	(41,688)	530,368
Balance, January 1, 2014	77,312	456,877	37,867	(41,688)	530,368
Profit for the year	-	-	12,705	-	12,705
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	12,705	-	12,705
Balance, December 31, 2014	77,312	456,877	50,572	(41,688)	543,073

CASH FLOW STATEMENT
Year Ended December 31, 2014
(Thousands of RSD)

	2014	2013
Cash flows from operating activities		
Cash receipts from customers	141,271	146,038
Interest received	641	-
Other receipts from operations	1,529	1,759
Cash paid to suppliers	(57,901)	(53,325)
Cash paid to and on behalf of employees	(16,767)	(14,322)
Interest paid	(11,937)	(10,645)
Income taxes paid	(3,356)	(851)
Other public duties paid	(2,470)	(6,758)
Net cash generated by operating activities	51,010	61,896
Cash flows from investing activities		
Purchase of property, plant and equipment	(26,424)	(66,039)
Other financial investments (net outflows)	(6,640)	(4,473)
Net cash used in investing activities	(33,064)	(70,512)
Cash flows from financing activities		
Long-term and short-term borrowings (net outflows)/net inflows	(23,723)	22,730
Net cash (used in)/generated by financing activities	(23,723)	22,730
Net (decrease)/increase in cash and cash equivalents	(5,777)	14,114
Cash and cash equivalents, beginning of year	22,297	8,183
Foreign exchange (losses) on translation of cash	(182)	-
Cash and cash equivalents, end of year	16,338	22,297

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 tax identification number (fiscal code) is 100279522, and its corporate ID is 06934218.

As of December 31, 2014, the Company had 18 employees (December 31, 2013: 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 Accounting (hereinafter referred as: the “Law”, Official Gazette of the Republic of Serbia no. 63/2013). As a shareholding entity, the Company is obligated to apply the International Financial Reporting Standards (“IFRS”), which as per the aforementioned Law comprise the following: the Framework for the Preparation and Presentation of Financial Statements (the “Framework”), 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.

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

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, 2014 had been translated. In addition, certain laws and bylaws stipulate accounting procedures, measurement and disclosures which in certain instances depart from the requirements of IAS/IFRS and IFRIC interpretations.

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

Standards and interpretations issued that came into effect in the current period pursuant to the Decision on Adoption of the Translations are disclosed in Note 2.2. Standards and interpretations in issue but not yet officially translated and adopted are disclosed in Note 2.3. Standards and interpretations in issue but not yet in effect are disclosed in Note 2.4.

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)

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

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

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

2.2. Standards and Interpretations Issued that Came into Effect in the Current Period Pursuant to the Decision on Adoption of the Translations

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

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

2.2. Standards and Interpretations Issued that Came into Effect in the Current Period Pursuant to the Decision on Adoption of the Translations (Continued)

- 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);

- 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);

- 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);

- 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);

- IFRS 13 "Fair Value Measurement" (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);

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

2.2. Standards and Interpretations Issued that Came into Effect in the Current Period Pursuant to the Decision on Adoption of the Translations (Continued)

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

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

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

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

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

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

- 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 IFRS 10 "Consolidated Financial Statements," IFRS 12 "Disclosures of Involvement with Other Entities" and IAS 27 "Separate Financial Statements" - 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 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);

- IFRIC 21 "Levies" (effective for annual periods beginning on or after January 1, 2014);

- Amendments to IAS 19 "Employee Benefits" – Defined Benefit Plans: Employee Contributions (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); and

- 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).

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

2.4. 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, supplanting the requirements of IAS 39 “Financial Instruments: Recognition and Measurement,“ with regard to classification and measurement of financial assets. This standard eliminates the categories existing under IAS 39 – assets held to maturity, assets available for sale and loans and receivables. IFRS 9 shall be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

  In accordance with IFRS 9, financial assets shall be classified in one of the following two categories upon initial recognition: financial assets at amortized cost or financial assets at fair value. A financial asset shall be measured at amortized cost if the following two criteria are met: financial assets relate to the business model whose objective is to collect the contractual cash flows and the contractual terms provide the basis for collection at certain future dates of cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets shall be measured at fair value. Gains and losses on the fair value measurement of financial assets shall be recognized in the profit and loss statement, except for investments in equity instruments which are not traded, where IFRS 9 allows at initial recognition a subsequently irreversible choice to recognize changes in fair value within other gains and losses in the statement of comprehensive income. An amount recognized in such a manner within the statement of comprehensive income cannot subsequently be recognized in profit and loss.

- Amendments to IFRS 11 “Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after January 1, 2016);

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

- IFRS 15 “Revenue from Contracts with Customers,” defining the framework for revenue recognition. IFRS 15 supplants IAS 18 “Revenue,” IAS 11 “Construction Contracts,” IFRIC 13 “Customer Loyalty Programs,” IFRIC 15 “Agreements for the Construction of Real Estate” and IFRIC 18 “Transfers of Assets from Customers.” IFRS 15 shall be effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” – Clarification of Acceptable Methods of Depreciation and Amortization (effective for annual periods beginning on or after January 1, 2016);

- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” – Agriculture: Bearer Plants (effective for annual periods beginning on or after January 1, 2016);

- IAS 27 “Separate Financial Statements” – Equity Method in Separate Financial Statements (effective for annual periods beginning on or after January 1, 2016); and

- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after January 1, 2016).

2.5. 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.

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

2.5. Use of Estimates (Continued)

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.

2.5.1. 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.

2.5.2. 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.

2.6. 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.

2.7. Going Concern

The Company's current liabilities exceeded its current assets by RSD 9,983 thousand as at December 31, 2014 whereas its cash outflows from overall activities exceeded the inflows by RSD 5,777 thousand.

The Company's ability to continue as a going concern is dependent on the continued financial support of its majority owner. Accordingly, these financial statements have been prepared on a going concern basis, which entails that the Company will continue to operate in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3.2. 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 than 12 months from the balance sheet date, in which case they are classified as non-current assets.

Receivables comprise dometic and foreign accounts receivables and other receivables.

Accounts 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Financial Instruments (Continued)

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Financial Instruments (Continued)

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.

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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4. Property and Equipment (Continued)

As of December 31, 2014 the Company stated property and equipment at revalued cost net of accumulate depreciation in accordance with the appraisal made in order to adjust the items of peropety and equipment to their fair marrket values. Subsequently property and equipment are stated at revalued amounts, which represnt theri fair values at the revaluation date net of subsequently accumulated deprecaiion and subsequent impairment losses.

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.

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) 2014	Useful life (years) 2013
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.

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5. Inventories (Continued)

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.

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 two gross average salaries of the vesting employee earned in the month preceding the month of retirement benefit payment, which cnnot be lower that two 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, 2014 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, 2014.

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, 2014 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

3.10. 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.

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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Income Taxes (Continued)

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.

Deferred tax assets and liabilities are determined at the tax rate expected to be applied in the period of the relevant asset realization/liability settlement. As at December 31, 2014, deferred tax assets and liabilities were provided at the rate of 15% (December 31, 2013: 15%).

Deferred income taxes are either charged or credited to the income statement, except in so far as they relate to items that are directly credited or charged to capital, and in that instance, deferred tax is allocated within equity.

3.12. Earnings per Share

Net profit for the year 2014 amounted to RSD 12,706 thousand and the number of ordinary shares outstanding is 77,312 which means that earnings per share amounted to RSD 164.3.

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, 2014 and 2013:

	December 31, 2014	December 31, 2013
	Assets	
EUR	29,054	37,430
Total:	29,054	37,430

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014
All amounts expressed in thousands of RSD, unless otherwise stated.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1. Market Risk (Continued)

(a) Foreign Currency Risk (Continued)

	December 31, 2014	December 31, 2013
	Liabilities	
EUR	216,746	219,549
Total:	216,746	219,549
Net foreign currency position	**(187,692)**	**(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, 2014		December 31, 2013	
	+10%	**-10%**	**+10%**	**-10%**
(Loss)/Profit	(18,769)	18,769	(19,073)	19,073

(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:

	2014	2013
Instruments at variable interesst rates		
Financial assets	21,772	15,133
Financial liabilities	(216,746)	(228,158)
	(194,974)	(213,025)

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 2014, the liabilities per the aforesaid loan had varaibleinterest rates index-linked to EURIBOR.

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.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1. Market Risk (Continued)

(b) Interest Rate Risk (Continued)

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 195 thousand in the year ended December 31, 2014 (December 31, 2013: RSD 213 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 obtains funding through short-term and long-term borrowngs.

The following table presents the maturities of financial assets and liabilities per maturity outstanding as at December 31, 2014:

	Within 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	Over 5 Years	Total
Cash and cash equivalents	16,338	-	-	-	16,338
Accounts receivable	1,956	-	-	-	1,956
Long-term investments	-	-	21,772	-	21,772
Total	18,294	-	21,772	-	40,066
Short-term financial liabilities	-	40,122	-	-	40,122
Accounts payable	3,496	-	-	-	3,496
Long-term financial liabilities	-	-	176,624	-	176,624
Total	3,496	40,122	176,624	-	220,242
Liquidity gap at December 31, 2014	14,798	(40,122)	(154,852)	-	(180,176)

The following table presents the maturities 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	2,116	-	-	-	2,116
Long-term investments	-	-	-	15,133	15,133
Total	24,413	-	-	15,133	39,546
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	18,718	(22,730)	-	(190,295)	(194,307)

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

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3. Credit Risk

Credit risk relates to the exposure inherent in the possibility that the contractual party fails to act upon its contractual commitments and causes the Company to suffer loss. The Company's exposure to this risk is primarily related to cash and cash equivalents, deposits placed with banks and financial institutions, investments in securities and receivables from legal entities and private individuals 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, 2014, the Company was in possession of cash and cash equivalents totaling RSD 16,338 thousand (December 31, 2013: RSD 22,297 thousand), which, in the assessment of the management, represents the maximum credit risk exposure per these financial assets.

Accounts Receivable

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

	2014	2013
Domestic accounts receivable	488	428
Foreign accounts receivable	1,468	1,687
	1,956	2,115

The most significant customers are presented in the following table:

	December 31, 2014	December 31, 2013
Gullivers Travel Associates	417	1,300
Tobais Doering Viking Catering a.g.	445	400
AKTOR A.T.E, Branch Office	336	36
JacTravel Limited	329	-
OSCE, Belgrade	-	107
Other customers	429	272
	1,956	2,115

Impairment Allowance

The aging structure of receivables is povided below:

	Gross 2014	Impairment Allowance 2014	Gross 2013	Impairment Allowance 2013
Receivables not matured	1,956	-	2,115	-
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	-	-	-	-
	1,956	-	2,115	-

NOTES TO THE FINANCIAL STATEMENTS
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4. FINANCIAL RISK MANAGEMENT (Continued)

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.

The gearing ratios of the Company as of December 31, 2014 and 2013 were as follows:

	2014	2013
Debt *	216,746	228,158
Cash and cash equivalents	(16,338)	(22,297)
Net debt**	200,408	205,861
Total equity ***	543,073	530,368
Debt to equity ratio ****	0.37	0.39

* *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.

NOTES TO THE FINANCIAL STATEMENTS
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5. SALES OF PRODUCTS AND SERVICES IN DOMESTIC MARKET

	Year Ended December 31, 2014	2013
Accommodation	107,984	106,904
Food	14,207	20,498
Daily rests	1,264	1,220
Other	3,488	3,447
	126,943	132,069

6. OTHER OPERATING INCOME

	Year Ended December 31, 2014	2013
Rental income	1,817	1,466
Other operating income	2	-
	1,819	1,466

7. COST OF MATERIALS

	Year Ended December 31, 2014	2013
Food, beverages and other restaurant goods	7,032	8,434
Maintenance materials	3,342	4,619
Write-off of tools and fixtures	772	-
	11,146	13,053

8. COST OF FUEL AND ENERGY

	Year Ended December 31, 2014	2013
Electiricity bills	3,271	2,956
Heating bills	2,898	2,584
	6,169	5,540

9. STAFF COSTS

	Year Ended December 31, 2014	2013
Gross salaries	9,955	7,697
Payroll taxes and contributions charged to the employer	1,797	1,379
Author's fees	4,194	4,747
Other staff costs	907	499
	16,853	14,322

NOTES TO THE FINANCIAL STATEMENTS
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10. COST OF PRODUCTION SERVICES

	Year Ended December 31, 2014	2013
Telecommunications, postage and transportation services	2,720	3,293
Maintenance	1,914	992
Marketing and advertising	41	15
Utilities	912	1,265
Laundry (BMP – related party)	2,820	2,834
Cost of other services	295	334
	8,702	8,733

11. DEPRECIATION, AMORTIZATION AND PROVISIONS

	Year Ended December 31, 2014	2013
Depreciation and amortization charge:		
- property and equipment	24,149	22,405
- intangible assets	102	62
	24,251	22,467

12. NON-MATERIAL COSTS

	Year Ended December 31, 2014	2013
Tempary and seasonal employees	3,353	6,114
Building maintenance	1,414	1,413
Consultnat services	1,094	6,850
Security services	748	1,251
It network maintenance	732	497
Laweyr fees	626	540
Other non-production services	3,994	4,058
Entertainment	573	472
Insurance premiums	395	396
Bank charges	7,076	7,550
Membership fees	32	63
Taxes and contributions payable	3,935	5,505
Other non-material costs	475	225
	24,447	34,934

NOTES TO THE FINANCIAL STATEMENTS
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13. FINANCE INCOME AND EXPENSES

	Year Ended December 31, 2014	2013
Finance income		
Interest income (from third parties)	641	342
Foreign exchange gains and positive currency clause effects (from third parties)		
Foreign exchange gains	260	1,132
Currency clause positive effects	864	3,626
	1,124	4,758
	1,765	5,100
Finance expenses		
Interest expenses (to third parties):		
- per borowings	11,935	10,645
- other interest expenses	2	2
	11,937	10,647
Foreign exchange losses and negative currency clause effects (to third parties)		
Foreing exchange losses	442	172
Curency clause negative effects	12,210	6,646
	12,652	6,818
Ostali finansijski rashodi	-	1,130
	24,589	18,595

14. OTHER INCOME

	Year Ended December 31, 2014	2013
Surpluses	119	-
Write-off of liabilities	659	-
Other income, elsewhere not mentioned	536	5
	1,314	5

15. OTHER EXPENSES

	Year Ended December 31, 2014	2013
Write-off of receivables	525	-
Other expenses, elsewhere not mentioned	52	4
	577	4

16. INCOME TAXES

a) Components of Income Taxes

	Year Ended December 31, 2014	2013
Current income tax expense	(1,629)	(1,564)
Deferred tax (expense)/benefit	(773)	139
Total income tax expense for the year	(2,402)	(1,425)

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014
All amounts expressed in thousands of RSD, unless otherwise stated.

16. INCOME TAXES (Continued)

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

	Year Ended December 31, 2014	2013
Profit before taxes	15,107	21,312
Income taxes at the statutory tax rate of 15%	2,266	3,197
Tax credits for capital expenditures realized in the current year	(2,718)	(3,649)
Tax credits utilized	2,718	1,535
Other	136	342
Total income taxes stated in Income statement – income tax expenses	2,402	1,425

c) Deferred tax assets and liabilities

	Year Ended December 31, 2014	2013
Deferred tax assets		
Tax loss carryforwards	-	-
Tax credit carryforwards	-	2,721
Total	-	2,721
Deferred tax liabilities		
Balance, beginning of year	72,915	74,589
Temporary differences on property and equipment	(1,948)	(1,674)
Total	70,967	72,915
Deferred tax liabilities, net	(70,967)	(70,194)

17. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

Movements on property, plant , equipment and intangible assets are provided in the following table:

	Land	Buildings	Equipment and Other Assets	Investment in progress; Advances Paid	Total	Intangible Assets
Cost						
Balance at January 1, 2013	200,786	603,398	21,719	14,266	840,169	782
Additions	-	3,009	2,009	45,190	50,208	-
Transfers	-	10,903	3,388	(14,291)	-	-
Balance, December 31, 2013	200,786	617,310	27,116	45,165	890,377	782
Balance at January 1, 2014	200,786	617,310	27,116	45,165	890,377	782
Additions	-	-	-	24,674	24,674	391
Transfers	-	63,176	5,480	(68,656)	-	-
Other	-	-	-	(1,121)	(1,121)	-
Balance, December 31, 2014	200,786	680,486	32,596	62	913,930	1,173
Accumulated Depreciation/Amortization						
Balance, January 1, 2013	-	77,173	10,378	-	87,551	239
Charge for the year	-	18,338	4,067	-	22,405	62
Balance, December 31, 2013	-	95,511	14,445	-	109,956	301
Balance, January 1, 2014	-	95,511	14,445	-	109,956	301
Charge for the year	-	19,625	4,524	-	24,149	102
Balance, December 31, 2014	-	115,136	18,969	-	134,105	403
Net book value						
December 31, 2014	200,786	565,350	13,627	62	779,825	770
December 31, 2013	200,786	521,799	12,671	45,165	780,421	481

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014
All amounts expressed in thousands of RSD, unless otherwise stated.

17. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS (Continued)

According to the loan agreement with the National Bank of Greece SA, London Branch there is a first class mortgage based on the lien statement registeredw ith the Real Estate Cadaster on the following property:

Office building with undetermined purpose, ground plus 7 floors situated at no. 5, Kneza Milosa Street, Belgrade, cadaster lot 4939, number of lot, building or structure under 1. listed in real estate folio no. 2807, Cadastral Municipality Vračar. As at December 31, 2014, the net book value of the pledged building amounted to RSD 565,350 thousand.

18. OTHER LONG-TERM INVESTMENTS

Other long-term investments totaling RSD 21,772 thousand (2013: RSD 15,133 tousand) 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 24). These funds shall be depoisted up to the date of the loan maturity.

19. INVENTORIES

	December 31, 2014	December 31, 2013
Materials	650	582
Spare parts	61	61
Tools and fixtures	53	383
Less: Allowance for impairment	-	-
	764	1,026
Advances paid to suppliers	35	230
Less: Allowance for impairment	-	-
	35	230
Balance, December 31	799	1,256

20. ACCOUNTS RECEIVABLES

	December 31, 2014	December 31, 2013
Domestic trade receivables	488	428
Foreign trade receivables	1,468	1,687
Balance, December 31	1,956	2,115

21. OTHER RECEIVABLES

	December 31, 2014	December 31, 2013
Receivables from emploees	20	20
Receivables for prepaid ncome taxes	656	-
Other current receivables	281	(7)
Balance, December 31	957	13

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

22. CASH AND CASH EQUIVALENTS

	December 31, 2014	December 31, 2013
RSD current account	9,346	17,768
Deposited funds	1,178	1,467
Foreign currency accounts	5,814	3,062
Balance, December 31	16,338	22,297

23. RECEIVABLES FOR PREPAID VALUE ADDED TAX

As of December 31, 2014 the Company stated a receivable for prepaid value added tax in the amount of RSD 13,562 thosand (2013: RSD 18,174 thousand).

24. EQUITY AND RESERVES

The Company's share capital as recorded in the books of account amounted to RSD 77,311 thousand as of December 31, 2014 and 2013 and is entirely comprised of common stock shares. As of December 31, 2014, 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, holding 80.33% of sahares and voting power.

The Company's shareholder structure at December 31, 2014 was as follows:

Shareholder	Share Count	RSD '000	%
Lampsa AE Athens, Greece	62,104	62,104	80.33%
Other shareholders – private individuals	14,979	14,979	19.38%
Collective, custody account	228	228	0.29%
	77,311	77,311	100.0%

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

25. LONG-TERM PROVISIONS

As of December 31, 2014 and 2013 the Company sated provisions for litigations in the amount of RSD. 1,720 thousand.

26. LONG-TERM BORROWINGS

	December 31, 2014	December 31, 2013
Long-term borrowings from banks	216,746	205,428
Less: Current portion of long-term borrowings (Note 27)	(40,122)	-
Balance, December 31	176,624	205,428

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

26. LONG-TERM LIABILITIES (Continued)

Long-term borrowings are comprised of:

	EUR	December 31, 2014	December 31, 2013
National Bank of Greece SA, London Branch	1,791,905	216,746	205,428
Current portion	(331,700)	(40,122)	-
		176,624	205,428

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 the loan maturity was extended to 2018.

Maturities of long-term borrowings are provided in the table below:

	December 31, 2014	December 31, 2013
- up to 1 year	40,122	-
- from 1 to 2 years	40,122	38,029
- from 2 to 3 years	40,122	38,029
- from 3 to 4 years	96,380	38,029
- from 4 to 5 years	-	91,341
	216,746	205,428

27. SHORT-TERM FINANCIAL LIABILITIES

	December 31, 2014	December 31, 2013
Current portion of long-term borrowings (Note 25)	40,122	-
Short-term loan from Alpha Bank a.d., Beograd	-	22,730
Balance, December 31	40,122	22,730

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. It was fully repaid in 2014.

28. TRADE PAYABLES

	December 31, 2014	December 31, 2013
Trade payables:		
- domestic	3,210	5,695
- foreign	286	-
Other accounts payable	142	148
Balance, December 31	3,638	5,843

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

29. 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 (Note 10 – Cost of poductioon services).

30. LITIGATION

As of December 31, 2014 the Compay was involved in several legal suits on different grounds. Based on the opinion of the Company's attorney and the management's estimate, the Company accrued a liabilitiy in repsect thereof in the amount of RSD 1,720 thousand. (Note 25 – LONG-TERM PROVISIONS).

31. CONTINGENT LIABILITIES

Land and building property stated as of December 31, 2014 in the amount of RSD 766,136 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 holds 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.

32. TAXATION RISKS

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

33. 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.

34. EXCHANGE RATES

The official middle exchange rates for the major currency 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, 2014	December 31, 2013
EUR	120.9583	114.6421

APPENDIX 1 and 2

INCOME STATEMENT
Year Ended December 31, 2014
(in thousand of EUR)

	Note	2014	2013
Operating income		**1,099**	**1,184**
Revenue	5	1,083	1,168
Revenue from undertaking for own purposes		-	3
Other operating income	6	16	13
Operating expenses		**782**	**876**
Cost of materials	7	95	115
Cost of fuel and energy	8	53	49
Staff costs	9	144	127
Cost of production services	10	74	77
Depreciation and provision costs	11	207	199
Non-material costs	12	209	309
Operating profit		**317**	**308**
Financial income	13	15	45
Financial expenses	13	210	165
Other income	14	11	-
Other expenses	15	5	-
Profit before tax		**128**	**188**
Tax on profit	16	**20**	**12**
Tax expense of a period		14	13
Deferred tax expense of a period		6	-
Deferred tax income of a period		-	1
Net profit for the year		**108**	**176**

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, 2014 and 2013 was performed using the following average exchange rates:

- 2014: 117.2478
- 2013: 113.0924

APPENDIX 2

BALANCE SHEET
As at December 31, 2014
(in thousand of EUR)

	Note	December 31, 2014	December 31, 2013
Assets			
Non-current assets		**6,633**	**6,944**
Intangible assets	17	6	4
Property, plants and equipment	17	6,447	6,808
Long-term financial investments	18	**180**	**132**
Other long-term financial investments		180	132
Current assets		**282**	**383**
Inventories	19	7	11
Short-term receivables, investments and cash		**275**	**372**
Accaount receivables	20	16	18
Other receivables	21	8	1
Cash and cash equivalents	22	135	194
Value added tax	23	112	158
Accrued expenses		4	1
Deferred tax assets	16 c	-	24
Total assets		**6,915**	**7,351**
Equity	24	**4,490**	**4,626**
Share capital		639	674
Revaluation reserves		3,777	3,985
Translation reserves		(20)	(4)
Retained earnings		439	334
Loss		(345)	(363)
Long-term provisions and liabilities		**1,474**	**1,807**
Long-term provisions	25	14	15
Long-term loans	26	1,460	1,792
Short-term liabilities	27	**364**	**282**
Short-term financial liabilities		332	198
Advances and deposits received		1	3
Trade payables	28	30	51
Other short-term liabilities		1	15
Income taxes payable		-	9
Accruals		-	6
Deferred tax liabilities	16 c	587	636
Total liabilities		**6,915**	**7,351**

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, 2014 and 2013 was performed using the following closing rates:
- December 31, 2014: 120.9583
- December 31, 2013: 114.6421