EXCELSIOR A.D., BEOGRAD

Financial Statements
Year Ended December 31, 2016 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 Shareholders of the Shareholding Company Excelsior a.d., Beograd

We have audited the accompanying financial statements (pages 2 to 35) of Excelsior a.d., Beograd (the "Company"), which comprise the balance sheet as of December 31, 2016, and the related income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Law on Audit of the Republic of Serbia and standards on auditing applicable in 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, 2016, 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

The accompanying financial statements have been prepared on a going concern basis. The Company stated a net loss of RSD 3,416 thousand for the year ended December 31, 2016, while its current liabilities exceeded its current assets by RSD 45,600 thousand as at December 31, 2016. In addition, cash outflows from overall activities for the year ended December 31, 2016 exceeded the inflows by RSD 1,987 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 result from this 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 28, 2017

Žarko Mijović
Certified Auditor

INCOME STATEMENT
Year Ended December 31, 2016
(Thousands of RSD)

	Note	2016	2015
Operating income		**113,548**	**131,975**
Sales of products and services			
Sales of products and services to other related parties in domestic market	5	51	-
Sales of products and services in domestic market	5	111,424	130,069
		111,475	130,069
Other operating income	6	2,073	1,906
Operating expenses		(108,073)	(97,913)
Cost of materials	7	(15,955)	(12,074)
Cost of fuel and energy	8	(7,249)	(6,795)
Staff costs	9	(26,122)	(21,939)
Cost of production services	10	(9,444)	(9,418)
Depreciation/amortization charge	11	(24,559)	(24,766)
Non-material costs	12	(24,744)	(22,921)
Profit from operations		**5,475**	**34,062**
Finance income	13	1,734	4,537
Interest income (from third parties)		861	1,016
Foreign exchange gains and positive currency clause effects (third parties)		873	3,521
Finance expenses	13	(11,477)	(13,928)
Interest expenses (to third parties)		(8,560)	(9,783)
Foreign exchange losses and negative currency clause effects (to third parties)		(2,917)	(4,145)
Loss from financing activities		**(9,743)**	**(9,391)**
Losses on value adjustment of other assets carried at fair value through profit and loss		(127)	-
Other income	14	1,278	36
Other expenses		(182)	(44)
(Loss)/profit from continuing operations before taxes		**(3,299)**	**24,663**
Net loss from discontinued operations, effects of changes in accounting policies and prior years' error adjustment		(407)	-
(Loss)/profit before taxes		**(3,706)**	**24,663**
Current income tax expense	16	(1,551)	(5,745)
Deferred tax benefits	16	1,841	2,027
NET (LOSS)/PROFIT FOR THE YEAR		**(3,416)**	**20,945**
Earnings per share (in RSD)	15	(44.18)	270.92

Notes on the following pages form
an integral part of these financial statements.

The accompanying financial statements were approved by the management of the Company on April 26, 2017.

Signed on behalf of Excelsior a.d., Beograd by:

Statutory Representative

Zafeirios Lampadaridis

STATEMENT OF OTHER COMPREHENSIVE INCOME
Year Ended December 31, 2016
(Thousands of RSD)

	Note	2016	2015
Net operating result			
Net (loss)/profit for the year		**(3,416)**	**20,945**
a) Items that will not subsequently be reclassified to the income statement		-	-
Increase/(decreases) in revaluation reserves		(44,922)	-
Actuarial gains/(losses) per defined benefit plans		-	-
Gains/(losses) on investments in equity instruments		-	-
Gains/(losses) from the share in the other comprehensive income of associates		-	-
		-	-
b) Items that may subsequently be reclassified to the income statement			
Foreign exchange gains/(losses) on translation of foreign operations		-	-
Gains/(losses) on hedging instruments designated in hedges of the net assets of foreign operations		-	-
Gains/(losses) on hedging instruments designated in hedges of the cash flows		-	-
Gains/(losses) on securities available for sale		-	-
Other (negative)/positive comprehensive income, gross		(44,922)	-
Taxes payable on other comprehensive income		-	-
Other (negative)/positive comprehensive income, net		(44,922)	-
Total (negative)/positive comprehensive income for the year, net		**(48,338)**	**20,945**

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BALANCE SHEET
As of December 31, 2016
(Thousands of RSD)

	Note	December 31, 2016	December 31, 2015
ASSETS			
Non-current assets		**719,359**	**789,476**
Intangible assets		**566**	**668**
Concessions, patents, licenses, trademarks, software and other rights	17	566	668
Property, plant and equipment		**686,196**	**756,699**
Land	17	147,937	200,786
Buildings	17	524,521	544,936
Plant and equipment	17	13,566	10,805
Other property, plant and equipment	17	110	110
Advances paid for property, plant and equipment	17	62	62
Long-term financial investments		**32,597**	**32,109**
Other long-term investments	18	32,597	32,109
Current assets		**23,521**	**29,964**
Inventories	19	**2,270**	**2,912**
Materials, spare parts, small tools and fixtures		1,375	2,179
Advances paid for inventories and services		895	733
Trade receivables	20	**3,432**	**4,834**
Domestic		1,894	1,501
Foreign		1,538	3,333
Other receivables	21	4,366	422
Cash and cash equivalents	22	12,644	15,661
Value added tax receivable	23	728	5,558
Prepayments		81	577
TOTAL ASSETS		**742,880**	**819,440**

(Continued)

BALANCE SHEET (Continued)
As of December 31, 2016
(Thousands of RSD)

	Note	December 31, 2016	December 31, 2015
EQUITY AND LIABILITIES			
Equity		**515,680**	**564,018**
Share capital	24	77,311	77,311
Revaluation reserves arising from revaluation of intangible assets, property, plant and equipment	24	411,955	456,877
Retained earnings		71,518	71,518
Current year's retained earnings		-	20,945
Prior years' retained earnings		71,518	50,573
Accumulated losses		45,104	41,688
Prior years' accumulated losses		41,688	41,688
Current year's loss		3,416	-
Non-current provisions and liabilities		**98,908**	**138,976**
Long-term provisions	25	**525**	**1,720**
Provisions for litigations – labor disputes		525	1,720
Long-term liabilities	26	**98,383**	**137,256**
Long-term borrowings, foreign		98,383	137,256
Deferred tax liabilities	16	59,171	68,939
Current liabilities		**69,121**	**47,507**
Short-term financial liabilities	27	**61,320**	**40,343**
Short-term borrowings, domestic		10,125	-
Other short-term financial liabilities		51,195	40,343
Advances, deposits and retainers received		572	427
Trade payables	28	**5,900**	**3,827**
Domestic – other related parties		320	198
Domestic		4,740	3,207
Foreign		300	229
Other account trade payables		540	193
Other current liabilities		840	771
Other taxes, contributions and duties payable		489	2,139
TOTAL EQUITY AND LIABILITIES		**742,880**	**819,440**

Notes on the following pages form
an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2016
(Thousands of RSD)

	Equity Components				
	Issued (Share) Capital	**Accumulated Losses**	**Retained Earnings**	**Revaluation Reserves**	**Total Equity**
Opening balance at January 1, 2015					
a) debit balance	-	41,688	-	-	
b) credit balance	77,311	-	50,573	456,877	543,073
Movements in the previous year - 2015					
a) debit turnover	-	-	-	-	
b) credit turnover	-	-	20,945	-	20,945
Closing balance at December 31, 2015					
a) debit balance	-	41,688	-	-	
b) credit balance	77,311	-	71,518	456,877	564,018
Movements in the current year - 2016					
a) debit turnover	-	3,416	-	52,849	
b) credit turnover	-	-	-	7,927	48,338
Closing balance at December 31, 2016					
a) debit balance	-	45,104	-	-	
b) credit balance	77,311	-	71,518	411,955	515,680

Notes on the following pages form
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STATEMENT OF CASH FLOWS
Year Ended December 31, 2016
(Thousands of RSD)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflows from operating activities		
Cash receipts from customers	126,724	149,344
Interest received from operating activities	861	1,016
Other cash receipts from operating activities	1,843	945
	129,428	**151,305**
Cash outflows from operating activities		
Cash paid to suppliers	(51,926)	(63,663)
Cash paid to and on behalf of employees	(25,942)	(15,169)
Interest paid	(8,560)	(9,783)
Income taxes paid	(5,265)	(3,329)
Other public duties paid	(11,863)	(8,565)
	(103,556)	**(100,509)**
Net cash generated by operating activities	***25,872***	***50,796***
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash outflows from investing activities		
Purchases of , intangible assets, property, plant and equipment	(6,804)	(969)
Other financial investments, net outflows	(487)	(10,337)
	(7,291)	**(11,306)**
Net cash used in investing activities	***(7,291)***	***(11,306)***
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflows from financing activities		
Short-term borrowings, net inflows	10,125	-
	10,125	**-**
Cash outflows from financing activities		
Long-term borrowings, net outflows	(30,693)	(40,055)
	(30,693)	**(40,055)**
Net cash used in financing activities	***(20,568)***	***(40,055)***
Net increase in cash and cash equivalents	**-**	**-**
Net decrease in cash and cash equivalents	**(1,987)**	**(565)**
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	15,661	16,338
Foreign exchange gains on translation of cash	872	2,966
Foreign exchange losses on translation of cash	(1,902)	(3,078)
CASH AND CASH EQUIVALENTS, END OF YEAR	**12,644**	**15,661**

Notes on the following pages form
an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016
All amounts expressed in thousands of RSD, unless otherwise stated.

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.

Under 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. 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, 2016, the Company had 29 employees (December 31, 2015: 21 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. 62/2013) and other effective bylaws and regulations. As a medium-sized legal entity, the Company has elected 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 IFRIC. 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 that the departures of accounting regulations of the Republic of Serbia from IFRS and IAS may have on the fairness of 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 issued in the current and previous periods 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.

In accordance with the Law on Accounting, the Company's financial statements are stated in thousands of dinars (RSD), RSD being the official reporting currency in the Republic of Serbia.

2.2. Standards and Interpretations Issued that Came into Effect 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);

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

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

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

- 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);

- 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);

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

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

- 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 Issued in the Current Period 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 by 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).

- 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);

- 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);

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016
All amounts expressed in thousands of RSD, unless otherwise stated.

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

2.3. Standards and Interpretations Issued in the Current Period but not yet Translated and Adopted (Continued)

- 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);

- Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception”. These amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. Consequential amendments have also been made to IAS 28 to clarify that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value. (These amendments shall be applied retrospectively for annual periods beginning on or after January 2016 with early adoption permitted);

- Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)” resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after January 1, 2016).

2.4. Standards and Interpretations in Issue not yet in Effect

At the date of issuance of these financial statements the following standards, their amendments, revisions and interpretations were in issue but not yet effective (with early adoption supported) for the year ended December 31, 2016:

- 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.

- 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 16 “Leases” provides a comprehensive model for identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. As from its effective date, January 1, 2019, this standard shall supplant the following lease standards and interpretations: IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement Contains a Lease,” SIC 15 “Operating Leases – Incentives” and SIC 27 “Evaluating the Substance of Transactions Involving the Legal Form of a Lease.“

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 (Continued)

- Amendments to IFRS 2 "Share-Based Payment" - Classification and Measurement of Share-Based Payment Transactions, effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

- 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 ought to have been effective for annual periods beginning on or after January 1, 2016; however, in December 2015 IASB deferred the effective date indefinitely, with early adoption permitted.

- Amendments to IAS 7 "Statement of Cash Flows" - Disclosure Initiative require and entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Amendments to IAS 7 shall be effective for annual periods beginning on or after January 1, 2017, with early adoption permitted.

- Amendments to IAS 12 "Income Taxes" - Recognition of Deferred Tax Assets for Unrealized Losses, shall be applied retrospectively for annual periods beginning on or after January 1, 2017, with early adoption permitted.

2.5. Going Concern

The Company stated a net loss of RSD 3,416 thousand for the year ended December 31, 2016, while its current liabilities exceeded its current assets by RSD 45,600 thousand as at December 31, 2016. In addition, cash outflows from overall activities for the year ended December 31, 2016 exceeded the inflows by RSD 1,987 thousand.

The Company's ability to continue as a going concern is dependent on the continued financial support of its majority owner. The Company's management expects that will achieve stable income and cut down on costs in the forthcoming period. In addition, the Company expects execution of the Management Agreement with Orbis S.A., Warsaw, Poland (as explained in Note 33), which will manage all hotel activities under protected "Mercure" brand and contribute to the Company's stabilization and profitable operation. 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.

2.6. Comparative Information

Comparative information comprises the Company's financial statements as of and for the year ended December 31, 2015.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1. Income

Income from Service Sales and Rendering

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 amounts invoiced net of approved discounts and value added tax.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1. Income (Continued)

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 written-off receivables, surpluses and other income.

3.2. 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, fuel and energy, costs of gross wages and salaries, depreciation and amortization charge 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 within the income 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.

3.3. Foreign Currency 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 within the items of finance income or expenses.

Receivables with a currency clause index 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 hedges within other income or expenses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4. 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, 2016 was immaterial. Accordingly, the Company did not provide for the aforesaid liabilities as at the reporting date.

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, 2016 was immaterial. Accordingly, the Company did not provide for the aforesaid liabilities as at the reporting date.

3.5. Income Taxes

Current Income Tax

Current income tax is payable at the legally prescribed rate of 15% (2015: 15%) on the tax base determined within the tax statement 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.

The Corporate Income Tax Law of the Republic of Serbia does 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 may be used to reduce or eliminate taxes to be paid in future periods for duration of no longer than five ensuing years. Tax losses incurred before January 1, 2010 are available for carryforward for duration of ten ensuing years.

Deferred Income Taxes

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. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and tax credits and losses 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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5. Income Taxes (Continued)

Deferred Income Taxes (Continued)

As at December 31, 2016, deferred tax assets and liabilities were provided at the rate of 15% (December 31, 2015: 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 equity, and in that instance, the deferred taxes are also recognized under equity.

3.6. Intangible Assets

Intangible assets can be identified as non-monetary assets without physical features.

Intangible assets are recognized and amortized as such if they meet the requirements prescribed by IAS 38 “Intangible Assets” and have useful economic lives over a year. Unless an intangible asset fulfills the aforesaid criteria, it is recognized as an expense of the period in which the related investment was made.

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.

Acquired software licenses are capitalized in the amount of expenses incurred in acquisition and placement into use and amortized over a period of 10 years.

3.7. Property and Equipment

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

Items of property and equipment are subsequently stated at revalued amounts. A revalued amount is an asset’s fair value at the revaluation date decreased by any subsequent accumulated depreciation and aggregate 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.

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 following the month in which a respective assets became available for its intended use.

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

Assets	Useful life (years) 2016	Useful life (years) 2015
Buildings	33	33
Computer equipment	4.16	4.16
Motor vehicles	6.6	6.6
Furniture and other equipment	6.6	6.6

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8. Impairment of Assets

At each balance sheet date, the Company's management reviews the carrying amounts of the Company's tangibles in order to determine the indications of impairment loss. If there is any indication that such assets have been impaired, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss. In cases where it is impossible to assess the recoverable amount of an individual asset, the Company assesses the recoverable value of the cash generating unit to which the asset belongs.

The recoverable amount of an asset is the higher of its costs to sell and its value in use. For the purpose of assessing value in use, estimated future cash flows are discounted to the present value by applying the discount rate prior to taxation reflecting the present market estimate of time value of cash and risks specifically related to the asset in question.

If the estimated recoverable amount of assets (or cash generating unit) is below their carrying value, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. An impairment loss is recognized as an expense of the current period under operating expenses, except in case of land and buildings that are not used as investment property which is stated at revalued amount in which case impairment loss is presented as a loss on revaluation of assets.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable value. However, this is performed so that the increased carrying amount does not exceed the carrying value that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years.

A reversal of an impairment loss is recognized as income immediately, unless the respective asset is carried at a revalued amount, in which instance, the reversal of the impairment loss is treated as a revaluation increase.

As of December 31, 2016, the Company assessed the recoverable amount of tangible assets and recorded impairment losses in respect of land by decreasing the value of land determined by the previous revaluation.

3.9. 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 comprised of the amount billed by suppliers and 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.

3.10. Financial Instruments

Financial Assets

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10. Financial Instruments (Continued)

Financial Assets (Continued)

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 domestic and foreign trade receivables and other receivables.

Trade 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. Impairment allowances are made for the receivables for which there is objective evidence of impairment, i.e. for those assessed by the management as uncollectable in full. Impairment allowances are recorded under expenses within the income statement of the period in which the assessment was made.

Financial Assets Held to Maturity

Financial assets held to maturity are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has intention and the ability to hold to maturity. In the event the Company decides to sell the significant portion of held-to-maturity financial assets, the entire 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 at 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 is the amount at which the financial asset 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.10. Financial Instruments (Continued)

Fair Value Measurement (Continued)

Fair values of certain financial instruments stated at 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 actual amount of collected receivables may differ from the estimated collection amounts, which may have postive or negative effects on the financial performance of the Company.

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

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

Trade receivables 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 on the Company’s Director.

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 measured 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 other 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.

Trade Payables

Trade payables and other operating liabilities are measured at their nominal value.

3.11. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

4. SUMMARY OF KEY ACCOUNTING 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, as well as the disclosure of contingent liabilities and receivables as of the date of preparation of the financial statements, and the income and expenses arising during the accounting period. These estimations and assumptions are based on information available as of the date of preparation of the financial statements. Actual results may vary from these estimates.

What follows are the key assumptions in respect of the future events and other sources of estimations, uncertainties as of the balance sheet date which represent risk from material adjustments to the amounts of balance sheet items in the following fiscal year.

4.1. Depreciation and Amortization Charge and Rates Applied

The calculation of depreciation and amortization, as well as depreciation and amortization rates are based on the economic useful lives of buildings, equipment and intangible assets. At least once a year, the Company assesses the economic useful lives based on the current estimates.

In addition, due to the significance of the non-current assets within the total assets of the Company, any change in the aforesaid assumptions may result in materially significant effects on the financial position and performance of the Company. For example, should the Company shorten the average useful life of assets by 10%, this would have resulted in the additional depreciation/amortization charge for the year ended December 31, 2016 by approximately RSD 2,717 thousand (2015: by RSD 2,740 thousand).

4.2. Allowance for Impairment of Receivables

Impairment allowance of 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.

4.3. Provisions for Litigations

Generally, provisions are highly judgmental. The Company estimates the likelihood of unfavorable events happening as a result of past events and assesses the amount necessary to settle such liability. Although the Company acts prudently in making such estimates, given the great extent of uncertainty, in certain cases actual results may depart from these assessments.

4.4. 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 from their carrying 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, 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 be 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.

Estimation of fair value of tangible assets

Fair values of tangible assets are estimated by qualified valuers. In the absence of current prices in an active market for similar properties, the Company considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

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

4. SUMMARY OF KEY ACCOUNTING ESTIMATES (Continued)

4.4. Fair Value (Continued)

Estimation of fair value of tangible assets (Continued)

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and
(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the management's plans and expectations regarding the market fluctuations, such as prices, number of overnight stays, average income per room, occupancy and the like, using discount rates that reflect current market assessments of the uncertainty as to the amount and timing of the cash flows.

The Company's management believes that the net carrying values correspond to the fair values of property, plant and equipment as of the balance sheet date.

5. SALES OF PRODUCTS AND SERVICES

	Year Ended December 31, 2016	2015
Income from the sale to related party (Note 29)	51	-
Accommodation	82,526	107,839
Food	24,849	16,619
Daily rest	752	1,126
Other	3,297	4,485
	111,475	130,069

6. OTHER OPERATING INCOME

	Year Ended December 31, 2016	2015
Rental income	1,995	1,889
Other operating income	78	17
	2,073	1,906

7. COST OF MATERIALS

	Year Ended December 31, 2016	2015
Food, beverages and other restaurant goods	9,826	7,852
Maintenance materials	4,545	3,494
Write-off of tools and fixtures	1,584	728
	15,955	12,074

8. COST OF FUEL AND ENERGY

	Year Ended December 31, 2016	2015
Electiricity bills	3,770	3,374
Heating bills	3,479	3,421
	7,249	6,795

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

9. STAFF COSTS

	Year Ended December 31, 2016	2015
Gross salaries	14,673	11,529
Payroll taxes and contributions charged to the employer	2,625	2,103
Considerations per service contracts	8,011	7,497
Other staff costs	813	810
	26,122	21,939

10. COST OF PRODUCTION SERVICES

	Year Ended December 31, 2016	2015
Telecommunications, postage and transportation services	2,513	2,949
Maintenance	3,145	2,308
Rental costs	257	217
Marketing and advertising	70	83
Utilities	947	979
Laundry	2,413	2,840
Cost of other services	99	42
	9,444	9,418

11. DEPRECIATION, AMORTIZATION AND PROVISIONS

	Year Ended December 31, 2016	2015
Depreciation and amortization charge:		
- property and equipment (Note 17)	24,457	24,664
- intangible assets (Note 17)	102	102
	24,559	24,766

12. NON-MATERIAL COSTS

	Year Ended December 31, 2016	2015
Building maintenance	1,714	1,533
Consultnat services	686	295
Security services	869	803
IT network maintenance	799	855
Laweyr fees	794	896
Other non-production services	6,683	5,789
Entertainment	2,153	720
Insurance premiums	355	367
Bank charges	5,855	7,174
Membership fees	118	52
Taxes and contributions payable	3,702	3,979
Other non-material costs	1,016	458
	24,744	22,921

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016
All amounts expressed in thousands of RSD, unless otherwise stated.

13. FINANCE INCOME AND EXPENSES

Finance Income

	Year Ended December 31, 2016	2015
Interest income (from third parties)	861	1,016
Foreign exchange gains and positive currency clause effects (from third parties)	873	3,521
	1,734	4,537

Finance Expenses

	Year Ended December 31, 2016	2015
Interest expenses (to third parties):		
- per borowings	8,111	9,781
- other interest expenses	449	2
	8,560	9,783
Foreign exchange losses and negative currency clause effects (to third parties)	2,917	4,145
	11,477	13,928

14. OTHER INCOME

	Year Ended December 31, 2016	2015
Surpluses	70	-
Reversal of long-term provisions (Note 25)	1,195	-
Write-off of liabilities	7	-
Other income, elsewhere not mentioned	6	36
	1,278	36

15. EARNINGS PER SHARE

	Year Ended December 31, 2016	2015
Net (loss)/profit	(3,416)	20,945
Weighted average number of shares outstanding	77,311	77,311
Basic earnings per share (in RSD)	(44.19)	270.92

In the official form of the income statement of the Serbian Business Registers Agency, it is not possible to present the Company's earnings per share in accordance with IAS 33 – *Earnings per Share,* since those amounts are below RSD 1,000.

16. INCOME TAXES

a) Components of income taxes

	Year Ended December 31, 2016	2015
Current income tax expense	(1,551)	(5,745)
Deferred tax benefits	1,841	2,027
	290	(3,718)

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016
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

	2016	2015
(Loss)/profit before taxes	(3,706)	24,663
Income tax at the statutory rate of 15%	(556)	3,699
Tax effects of expenses not recognized for tax purposes	266	-
Other	-	19
	(290)	3,718

c) Deferred tax liabilities

Deferred tax liabilities of RSD 59,171 thousand, net as of December 31, 2016 (December 31, 2015: RSD 68,939 thousand) relate to the temporary difference between the amount at which equipment and intangible assets are recognized for the tax statement purposes and the carrying amounts of these assets.

Movements on the net deferred tax liabilities were as follows:

	2016	2015
Balance, January 1	68,939	70,967
Recognized within other comprehensive income		
- effect of impairment of land (Notes 17 and 24)	(7,927)	-
Recognized in the income statement		
- temporary differences on property, equipment and intangible assets	(1,841)	(2,027)
Other	-	(1)
Balance, December 31	(59,171)	(68,939)

17. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

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

	Land	Buildings	Equipment and Other Assets	Investments in Progress; Advances Paid	Total	Intangible Assets
Cost						
Balance at January 1, 2015	200,786	680,486	32,596	62	913,930	1,173
Additions	-	-	1,537	-	1,537	-
Balance, December 31, 2015	200,786	680,486	34,133	62	915,467	1,173
Balance at January 1, 2016	200,786	680,486	34,133	62	915,467	1,173
Additions	-	-	6,803	-	6,803	-
Impairment (Notes 16 and 24)	(52,849)	-	-	-	(52,849)	-
Balance, December 31, 2016	147,937	680,486	40,936	62	869,421	1,173
Accumulated Depreciation/Amortization						
Balance at January 1, 2015	-	115,135	18,969	-	134,104	403
Charge for the year (Note 11)	-	20,415	4,249	-	24,664	102
Balance, December 31, 2015	-	135,550	23,218	-	158,768	505
Balance at January 1, 2016	-	135,550	23,218	-	158,768	505
Charge for the year (Note 11)	-	20,415	4,042	-	24,457	102
Balance, December 31, 2016	-	155,965	27,260	-	183,225	607
Net book value						
- December 31, 2016	147,937	524,521	13,676	62	686,196	566
- December 31, 2015	200,786	544,936	10,915	62	756,699	668-

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

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

In 2016 the Company's operating performance deteriorated comparing to 2015, mainly due to decrease in the number of overnights stays, as well as decrease in the room rates due to intense competition and less favorable economic situation in the market.

Accordingly, in accordance with IAS 36, the Company engaged an independent appraiser to determine the recoverable values of property, plant and equipment as of the balance sheet date. The recoverable amount is determined as the value in use, calculated based on the projected cash flows in accordance with the following assumptions:

- average room rate per day in the basis year in the amount of EUR 48.70;
- normalized room rate per day in the amount of EUR 71.70;
- utilization of the accommodation capacity in the basis year of 29.79%;
- normalized utilization of accommodation capacities of 58.96%; and
- discount rate of 12%,

Based on the aforementioned analysis, the recoverable amount of land was determined in the amount of RSD 147,937 thousand, which is by RSD 52,849 thousand below the carrying value of land. Accordingly, the Company recorded impairment losses in respect of land as a decrease in the value of land resulting from the previous revaluation. According to the fair value assessibility, applied method of the fair value measurement of land corresponds to Level 3 in accordance with IFRS 13.

As a collateral for the loan approved by the National Bank of Greece SA, London Branch, the Company placed under first class mortgage its building at no. 5, Kneza Miloša Street, with the net book value of RSD 524,521 thousand as at December 31, 2016.

18. LONG-TERM FINANCIAL INVESTMENTS

Other long-term financial investments totaling RSD 32,597 thousand (2015: RSD 32,109 thousans) relate to cash funds deposited with Vojvođanska banka, which acts as an agent regarding the loan approved by the National Bank of Greece SA, London Branch at the average interest rate equal to 50% of the key policy rate of the National Bank of Serbia.

19. INVENTORIES

	December 31, 2015	December 31, 2015
Materials	1,263	1,228
Spare parts	61	61
Tools and fixtures	51	890
	1,375	2,179
Advances paid to suppliers	895	733
	895	733
	2,270	2,912

20. TRADE RECEIVABLES

	December 31, 2016	December 31, 2015
Domestic trade receivables	1,894	1,501
Foreign trade receivables	1,538	3,333
	3,432	4,834

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2016
All amounts expressed in thousands of RSD, unless otherwise stated.

21. OTHER RECEIVABLES

	December 31, 2016	December 31, 2015
Receivables from emploees	27	27
Receivables for prepaid ncome taxes	3,715	-
Other current receivables	624	395
	4,366	422

22. CASH AND CASH EQUIVALENTS

	December 31, 2016	December 31, 2015
RSD current account	2,881	6,553
Cash on hand in RSD	51	-
Cash on hand in foreign currency	114	-
Foreign currency accounts	9,598	9,108
	12,644	15,661

23. RECEIVABLES FOR PREPAID VALUE ADDED TAX

As of December 31, 2016 the Company stated a receivable for prepaid value added tax in the amount of RSD 728 thousand (2015: RSD 5,558 thousand).

24. EQUITY AND REVALUATION RESERVES

The Company's share capital as recorded in the books of account amounted to RSD 77,311 thousand as of December 31, 2016 and entirely comprised common stock shares. As of December 31, 2016, the 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 shares and voting power.

The Company's shareholder structure at December 31, 2016 was as follows:

Shareholder	Share Count	RSD '000	%
Lampsa AE Athens, Greece	62,104	62,104	80.33%
Other shareholders – private individuals	14,626	14,929	18.92%
Collective, i.e., custody account	581	581	0.75%
	77,311	77,311	100.00%

The Company's revaluation reserves totaling RSD 411,955 thousand relate to revaluation reserves resulting form the appraisal of property and equipment.

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

24. EQUITY AND REVALUATION RESERVES (Continued)

Changes in equity during 2016 and 2015 were as follows:

	Permanent Investments	Loss	Retained Earnings	Revaluation Reserves	Total
Balance, January 1, 2015	77,311	(41,688)	50,573	456,877	543,073
Profit for the year	-	-	20,945	-	20,945
Total comprehensive income	-	-	20,945	-	20,945
Balance, December 31, 2015	77,311	(41,688)	71,518	456,877	564,018
Balance, January 1, 2016	77,311	(41,688)	71,518	456,877	564,018
Loss for the year	-	(3,416)	-	-	(3,416)
Effects of impairment of land (Note 17)	-	-	-	(52,849)	(52,849)
Tax effects of impairment (Note 16)	-	-	-	7,927	7,927
Total comprehensive income	-	(3,416)	-	(44,922)	(48,338)
Balance, December 31, 2016	77,311	(45,104)	71,518	411,955	515,680

25. LONG-TERM PROVISIONS

As of December 31, 2016, the Company sated provisions for litigations in the amount of RSD 525 thousand (December 31, 2015: RSD 1,720 thousand) (Note 31). During 2016, the Company reversed provisions for finalized legal proceedings in the amount of RSD 1,195 thousand (Note 14).

26. LONG-TERM LIABILITIES

	EUR	December 31, 2016	December 31, 2015
National Bank of Greece SA, London Branch	1,460,205	149,578	177,599
Current portion	(331,697)	(51,195)	(40,343)
		98,383	137,256

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 being repaid in quarterly installments. The loan repayment is secured by a mortgage lein assigned over the Company's building (Note 17).

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

	December 31, 2016	December 31, 2015
- matured liabilities	10,240	-
- up to 1 year	40,955	40,343
- from 1 to 2 years	98,383	40,343
- from 2 to 3 years	-	96,913
	149,578	177,599

27. SHORT-TERM FINANCIAL LIABILITIES

	December 31, 2016	December 31, 2015
Current portion of long-term borrowings (Note 26)	51,195	40,343
Short-term borrowing from Alpha Bank a.d., Beograd	10,125	-
	61,320	40,343

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

27. SHORT-TERM FINANCIAL LIABILITIES (Continued)

In December 2016, Alpha Bank a.d., Beograd approved to the Company a short-term loan for working capital in the amount of EUR 82,000 in RSD equivalent. The loan matures 90 days from the date of the loan disbursement, at an interest rate of 12-month EURIBOR increased by 4.35% p.a.

28. TRADE PAYABLES

	December 31, 2016	**December 31, 2015**
Trade payables:		
- other domestic related parties (Note 29)	320	198
- domestic	4,740	3,207
- foreign	300	229
Other accounts payable	540	193
	5,900	3,827

29. RELATED PARTY DISCLOSURES

In its regular course of business, the Company enters into transactions with its related parties. The transactions between the Company and its related parties are governed by relevant contracts and performed at arm's length.

a) Balance Sheet

The Company had the following balances of receivables and payables arising from the related party transactions:

	December 31, 2016	**December 31, 2015**
Trade payables (Note 28)		
- BMP a.d., Beograd	320	198
Total liabilities	**320**	**198**

b) Income Statement

The breakdown of income and expenses arising from the related party transactions is presented in the following table:

	2016	**2015**
Sales of products and services (Note 5):		
- BMP a.d., Beograd	51	-
Total income	**51**	**-**
Cost of production services:		
- BMP a.d., Beograd	2,420	2,840
Non-material costs:		
- BMP a.d., Beograd	10	-
Total expenses	**2,430**	**2,840**
Expenses, net	**(2,379)**	**(2,840)**

The Company calculated remunerations to the members of the Board of Directors in the total amount of RSD 2,654 thousand for the year ended December 31, 2016.

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

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Capital Risk Management

There is no formal framework delineating the Company's capital risk management. The Company manages capital risk and tries to relieve the risk effects in order to ensure the continuity of its business operations in the foreseeable future while maximizing return on equity to its owners through optimization of the capital structure and debt to equity ratio. The Company's equity includes cash and cash equivalents and equity attributable to owners, which include share capital, reserves, retained earnings, as well as accumulated losses.

Persons in control of finances on the Company level review the equity structure on an annual basis. As a part of the review at issue, Management considers the price of capital and risks related to each type of capital.

The Company's gearing ratios as of the year-end were as follows:

	December 31, 2016	December 31, 2015
Debt a)	159,703	177,599
Cash and cash equivalents	12,644	15,661
Net debt	147,059	161,938
Equity b)	515,680	564,018
Debt to equity ratio	0.29	0.29

a) Debt is related to long-term and short-term borrowings, other long-term liabilities, interest liabilities and cost of financing;
b) Equity includes share capital, reserves, retained earnings and accumulated losses.

Significant accounting policies with reference to financial instruments

Details of significant accounting policies, as well as criteria and basis for the recognition of income and expenses for all types of financial assets and liabilities are disclosed in Note 3 of these financial statements.

Categories of Financial Instruments

	December 31, 2016	December 31, 2015
Financial assets		
Other long-term financial investments	32,597	32,109
Trade receivables	3,432	4,834
Cash and cash equivalents	12,644	15,661
	48,673	52,604
Financial liabilities		
Long-term borrowings, foreign	98,383	137,256
Short-term borrowings, domestic	10,125	-
Trade payables	5,360	3,634
Other short-term financial liabilities	51,195	40,343
	165,063	181,233

Basic financial instruments held by the Company comprise cash and cash equivalents, trade receivables and trade payables primarily used to finance the Company's current operations. In the regular course of business, the Company is exposed to the risk enumerated and delineated in the following passages.

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

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Capital Risk Management (Continued)

Financial Risk Management

Financial risks include market risk (foreign currency risk and interest rate risk), credit risk and liquidity risk. These risks are considered on time basis and are diminished by decreasing relevant exposures. The Company does not make use of derivative financial instruments so as to avoid the adverse effect of these risks on the Company's business operations, due to the fact that such instruments are not commonly used on the Republic of Serbia market, nor is there an organized market for such instruments in the Republic of Serbia.

Market Risk

In its business operations, the Company is exposed to financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposure is measured by means of sensitivity analysis. There have been no changes in the manner in which the Company alleviates and measures the exposure.

Foreign Currency Risk

The Company is exposed to foreign currency risks inherent in cash and cash equivalents, other long-term financial investments, long-term foreign and short-term domestic borrowings and trade payables denominated in foreign currency. It does not make use of any special hedging instruments given that such instruments are uncommon in the Republic of Serbia.

The stability of economic environment in which the Company operates is greatly dependent upon the economic measures taken by the Republic of Serbia's Government including the establishment of an adequate legal and legislative framework.

The carrying values of the Company's foreign currency denominated monetary assets and liabilities as of the reporting date were as follows:

	Assets		Liabilities	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
EUR	43,847	44,550	160,003	177,599
	43,847	44,550	160,003	177,599

The Company is sensitive to the movements in the EUR exchange rates. The following table provides details on the Company's sensitivity to the increase and decrease of 10% in the RSD to foreign currency exchange rate. The 10% sensitivity rate was used in internal reporting on the foreign currency risk and it represents the management's best estimate of 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 figures in the table indicate the increase in the results of the current period, being the case when RSD appreciates against the currency at issue. In case of RSD 10% decline against the foreign currency at issue, the impact on the profit for the current period would be the exact opposite of the one calculated in the previous case.

	December 31, 2016	December 31, 2015
EUR	11,616	13,305
Current period profit/loss	11,616	13,305

Interest Rate Risk

The Company is exposed to the risk of changes in interest rates on assets and liabilities for which the interest rate is variable. This risk depends on the financial markets and the Company does not have available instruments that would mitigate its impact.

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

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Interest Rate Risk (Continued)

The carrying values of financial assets and liabilities at the end of the period under review and grouped by the level of interest rate risk are presented in the following table:

	December 31, 2016	December 31, 2015
Financial assets		
Non-interest bearing		
Trade receivables	3,432	4,834
Cash and cash equivalents	12,644	15,661
	16,076	20,495
Variable interest rate		
Other long-term financial investments	32,597	32,109
	48,673	52,604
Financial liabilities		
Non-interest bearing		
Trade payables	5,360	3,634
Variable interest rate		
Long-term borrowings, foreign	98,383	137,256
Short-term borrowings, domestic	10,125	-
Other short-term financial liabilities	51,195	40,343
	159,703	177,599
	165,063	181,233

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 an operating loss / realized profit of RSD 1,271 thousand for the year ended December 31, 2016 (December 31, 2015: RSD 1,455 thousand). Such situation is attributed to the Company's exposure to the variable interest rates applied to long-term borrowings and other long-term liabilities.

Credit Risk

Managing Trade Receivables

Credit risk relates to the exposure inherent in the possibility that the counterparty 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 receivables from customers as of the balance sheet date.

The most significant customers are as follows:

	December 31, 2016	December 31, 2015
Kuoni Global Travel Services	878	2,711
Telenor	163	160
Travco House	190	34
JacTravel Limited	236	509
OSCE, Belgrade	-	607
Other customers	1,965	813
	3,432	4,834

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

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Credit Risk (Continued)

Managing Trade Receivables (Continued)

The structure of trade receivables as of December 31, 2016 is presented in the following table:

	Gross Exposure	Impairment Allowance	Net Exposure
Trade receivables, matured and provided for	127	(127)	-
Trade receivables, not matured	3,432	-	3,432
	3,559	(127)	3,432

The structure of trade receivables as of December 31, 2015 is presented in the following table:

	Gross Exposure	Impairment Allowance	Net Exposure
Trade receivables, matured but not provided for	4,834	-	4,834
	4,834	-	4,834

Trade receivables, not matured

Trade receivables, not matured at December 31, 2016 in the amount of RSD 3,432 thousand mainly relate to receivables from the sales of services in the last week of 2016. These receivables mainly mature within 8 days from the invoice date, depending on the contractual terms of payment. The average days sales outstanding in 2016 counted 14 days (2015: 10 days).

Trade receivables, matured and provided for

In prior periods the Company made impairment allowance of overdue receivables in the amount of RSD 127 thousand, due from customers whose creditworthiness was determined to have changed and which were assessed as unlikely to be collected in full.

Trade Receivables, matured but not provided for

Trade receivables, matured but not provided for as of December 31, 2015 in the amount of RSD 4,834 thousand mature within 30 days.

Managing Trade Payables

Trade payables as of December 31, 2016 were stated as amounting to RSD 5,360 thousand (December 31, 2015: RSD 3,634 thousand). Suppliers do not charge penalty interest on outstanding liabilities, whereby the Company settled its dues to suppliers within the agreed terms, in accordance with the financial risk management policies. The average days payable outstanding in 2016 counted 50 days (2015: 78 days).

Liquidity Risk

The ultimate responsibility for liquidity risk management resides with the Company’s management, which is also responsible for managing the Company’s short-term, medium-term and long-term financing and liquidity management. The Company manages liquidity by maintaining the necessary level of cash reserves, based on continued monitoring over the planned and actual cash flows, as well as by adequately matching the maturities of financial assets and liabilities.

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

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Liquidity Risk (Continued)

Liquidity Risk Tables

The following tables detail the Company's remaining contractual maturity of its financial assets. The tables have been drawn up based on the undiscounted cash flows of financial assets based on the earliest date on which the Company may be able to collect such receivables.

Maturities of Financial Assets

December 31, 2016

	Within 1 Month	From 1 to 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	Over 5 Years	Total
Non-interest bearing	16,076	-	-	-	-	16,076
Variable interest rate						
- principal	-	-	-	32,597	-	32,597
- interest	-	-	-	1,304	-	1,304
	16,076	-	-	33,901	-	49,977

December 31, 2015

	Within 1 Month	From 1 to 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	Over 5 Years	Total
Non-interest bearing	20,495	-	-	-	-	20,495
Variable interest rate						
- principal	-	-	-	32,109	-	32,109
- interest	-	-	-	2,167	-	2,167
	20,495	-	-	34,276	-	54,771

The following tables detail the Company's remaining contractual maturity of its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company may be able to make payments based on such liabilities.

Maturities of Financial Liabilities

December 31, 2016

	Within 1 Month	From 1 to 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	Over 5 Years	Total
Non-interest bearing	5,360	-	-	-	-	5,360
Variable interest rate						
- principal	-	-	61,320	98,383	-	159,703
- interest	-	-	1,335	6,474	-	7,809
	5,360	-	62,655	104,857	-	172,872

December 31, 2015

	Within 1 Month	From 1 to 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	Over 5 Years	Total
Non-interest bearing	3,634	-	-	-	-	3,634
Variable interest rate						
- principal	-	40,343	-	137,256	-	177,599
- interest	-	1,075	-	12,968	-	14,043
	3,634	41,418	-	150,224	-	195,276

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

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Fair Value of Financial Instruments

The following table provides the present values of the Company’s financial assets and liabilities and their fair values as of December 31, 2016 and 2015:

	December 31, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Other long-term financial investments	32,597	32,597	31,109	31,109
Trade receivables	3,432	3,432	4,834	4,834
Cash and cash equivalents	12,644	12,644	15,661	15,661
	48,673	48,673	52,604	52,604
Financial liabilities				
Long-term borrowings, foreign	98,383	98,383	137,256	137,256
Short-term borrowings, domestic	10,125	10,125	-	-
Other short-term financial liabilities	51,195	51,195	40,343	40,343
Trade payables	5,360	5,360	3,634	3,634
	165,063	181,233	165,063	181,233

Assumptions for the Assessment of the Current Fair Value of Financial Instruments

Given that the sufficient market experience, stability and liquidity do not presently exist for the purchase and sale of financial assets or liabilities, and given that the quoted prices, which could be used for the purposes of disclosing fair value of financial assets and liabilities are unavailable, the method here applied is that of discounted cash flows. In using this method of measurement, interest rates for financial instruments with similar characteristics have been used, with the aim to arrive at the relevant assessment of market values of financial instruments as of the balance sheet date.

31. LITIGATION

As of December 31, 2016 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 respect thereof in the amount of RSD 525 thousand (Noter 25).

32. CONTINGENT LIABILITIES

Land and building property stated as of December 31, 2016 in the amount of RSD 725,307 thousand are in the Company’s ownership based on denationalization of property performed in a prior period. Pursuant to the Agreement on Acquisition of the Socially-Owned Capital executed with the Serbian Privatization Agency, the majority owner is also aware that the Company’s assets include nationalized property and agrees to treat such property pursuant to the relevant law provisions. The Company’s management holds that the Company will not suffer adverse effects arising from resolution of the nationalized property issue or incur outflows of resources in this respect.

33. EVENTS AFTER THE REPORTING PERIOD

On April 24, 2017, the Company executed the Management Agreement with Orbis S.A., Warsaw, Poland, a licensed representative of the Accor Group, France in Serbia. In accordance with this agreement, Orbis S.A., Warsaw, Poland undertakes to manage all hotel activities under protected Mercure brand and in accordance with all the brand standards within ten years from the date of hotel opening, which is scheduled for September 1, 2017 and no later than October 1, 2017.

34. 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 activities 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. The periods remain open to review of tax liabilities by the tax and customs authorities for five years. This virtually means that tax authorities could determine payment of outstanding liabilities within the period of five years from the origination of the liability.

35. 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:

		In RSD
	December 31, 2016	**December 31, 2015**
EUR	123.4723	121.6261

APPENDICES

Appendix 1

INCOME STATEMENT
Year Ended December 31, 2016
(Thousands of EUR)

	Note	2016	2015
Operating income		**922**	**1,093**
Sales of products and services			
Sales of products and services to other related parties in domestic market	5	-	-
Sales of products and services in domestic market	5	905	1,077
		905	1,077
Other operating income	6	17	16
Operating expenses			
Cost of materials	7	(130)	(100)
Cost of fuel and energy	8	(59)	(56)
Staff costs	9	(212)	(182)
Cost of production services	10	(77)	(78)
Depreciation/amortization charge	11	(199)	(205)
Non-material costs	12	(201)	(190)
		(878)	(811)
Profit from operations		**44**	**282**
Finance income	13	14	37
Interest income (from third parties)		7	8
Foreign exchange gains and positive currency clause effects (third parties)		7	29
Finance expenses	13	(93)	(115)
Interest expenses (to third parties)		(69)	(81)
Foreign exchange losses and negative currency clause effects (to third parties)		(24)	(34)
Loss from financing activities		**(79)**	**(78)**
Losses on value adjustment of other assets carried at fair value through profit and loss		(1)	-
Other income	14	10	-
Other expenses		(1)	-
(Loss)/Profit from continuing operations before taxes		**(27)**	**204**
Net loss from discontinued operations, effects of changes in accounting policies and prior years' error adjustment		(3)	-
(Loss)/profit before taxes		**(30)**	**204**
Current income tax expense	16	(13)	(48)
Deferred tax benefits	16	15	17
NET (LOSS)/PROFIT FOR THE YEAR		**(28)**	**173**
Earnings per share (in EUR)	15	-	2

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, 2016 and 2015 was performed using the following average exchange rates:

- 2016: 123.1179
- 2015: 120.7328

Appendix 2

BALANCE SHEET
As of December 31, 2016
(Thousands of EUR)

	Note	December 31, 2016	December 31, 2015
ASSETS			
Non-current assets		**5,826**	**6,491**
Intangible assets		**5**	**5**
Concessions, patents, licenses, trademarks, software and other rights	17	5	5
Property, plant and equipment		**5,557**	**6,222**
Land	17	1,198	1,651
Buildings	17	4,248	4,480
Plant and equipment	17	110	89
Other property, plant and equipment	17	1	1
Advances paid for property, plant and equipment	17	-	1
Long-term financial investments		**264**	**264**
Other long-term investments	18	264	264
Current assets		**191**	**246**
Inventories	19	**18**	**24**
Materials, spare parts, small tools and fixtures		11	18
Advances paid for inventories and services		7	6
Trade receivables	20	**28**	**40**
Domestic		15	13
Foreign		13	27
Other receivables	21	36	3
Cash and cash equivalents	22	102	129
Value added tax receivable	23	6	46
Prepayments		1	4
TOTAL ASSETS		**6,017**	**6,737**

(Continued)

Appendix 2
(Continued)

BALANCE SHEET (Continued)
As of December 31, 2016
(Thousands of EUR)

	Note	December 31, 2016	December 31, 2015
EQUITY AND LIABILITIES			
Equity		**4,176**	**4,637**
Share capital	24	626	636
Revaluation reserves arising from revaluation of intangible assets, property, plant and equipment	24	3,336	3,756
Retained earnings		588	612
Current year's retained earnings		-	173
Prior year's retained earnings		588	439
Accumulated losses		371	343
Prior year's accumulated losses		343	343
Current year's loss		28	-
Translation reserves		(3)	(24)
Non-current provisions and liabilities		**801**	**1,143**
Long-term provisions	25	**4**	**14**
Provisions for litigations - labor disputes		4	14
Long-term liabilities	26	**797**	**1,129**
Long-term borrowings, foreign		797	1,129
Deferred tax liabilities	16	479	567
Current liabilities		**561**	**390**
Short-term financial liabilities	27	**497**	**332**
Short-term borrowings, domestic		82	-
Other short-term financial liabilities		415	332
Advances, deposits and retainers received		5	4
Trade payables	28	**48**	**31**
Domestic - other related parties		3	2
Domestic		39	26
Foreign		2	2
Other account trade payables		4	1
Other current liabilities		7	6
Other taxes, contributions and duties payable		4	17
TOTAL EQUITY AND LIABILITIES		**6,017**	**6,737**

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, 2016 and 2015 was performed using the following closing rates:
- December 31, 2016: 123.4723
- December 31, 2015: 121.6261

Appendix 3

INCOME STATEMENT
Year Ended December 31, 2016
(Thousands of EUR)

	2016	2015
Operating income		
Sales of products and services		
Sales of products and services to other related parties in domestic market	-	-
Sales of products and services in domestic market	906	1,077
	906	1,077
Other operating income	**17**	**16**
Operating expenses	**(879)**	**(811)**
Cost of materials	(130)	(100)
Cost of fuel and energy	(59)	(56)
Staff costs	(212)	(182)
Cost of production services	(77)	(78)
Depreciation/amortization charge	(200)	(205)
Non-material costs	(201)	(190)
Profit from operations	**44**	**282**
Finance income	**14**	**37**
Interest income (from third parties)	7	8
Foreign exchange gains and positive currency clause effects (third parties)	7	29
Finance expenses	**(93)**	**(115)**
Interest expenses (to third parties)	(70)	(81)
Foreign exchange losses and negative currency clause effects (to third parties)	(23)	(34)
Loss from financing activities	**(79)**	**(78)**
Losses on value adjustment of other assets carried at fair value through profit and loss	(1)	-
Other income	10	-
Other expenses	(1)	-
(Loss)/profit from continuing operations before taxes	**(27)**	**204**
Net loss from discontinued operations, effects of changes in accounting policies and prior years' error adjustment	(3)	-
(Loss)/profit before taxes	**(30)**	**204**
Current income tax expense	(13)	(48)
Deferred tax benefits	15	17
NET (LOSS)/PROFIT FOR THE YEAR	**(28)**	**173**
Earnings per share (in RSD)	-	2

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, 2016 and 2015 was performed using the following average exchange rates:

- 2016: 123.1179
- 2015: 120.7328

Appendix 4

BALANCE SHEET
As of December 31, 2016
(Thousands of EUR)

	December 31, 2016	December 31, 2015
ASSETS		
Non-current assets	**5,826**	**6,491**
Intangible assets	**5**	**5**
Concessions, patents, licenses, trademarks, software and other rights	5	5
	5,557	**6,222**
Property, plant and equipment		
Land	1,198	1,651
Buildings	4,248	4,480
Plant and equipment	110	89
Other property, plant and equipment	1	1
Advances paid for property, plant and equipment	-	1
Long-term financial investments	**264**	**264**
Other long-term investments	264	264
Current assets	**191**	**246**
Inventories	**18**	**24**
Materials, spare parts, small tools and fixtures	11	18
Advances paid for inventories and services	7	6
Trade receivables	**28**	**40**
Domestic	15	13
Foreign	13	27
Other receivables	35	3
Cash and cash equivalents	102	129
Value added tax receivable	7	46
Prepayments	1	4
TOTAL ASSETS	**6,017**	**6,737**

Appendix 4
(Continued)

BALANCE SHEET (Continued)
As of December 31, 2016
(Thousands of EUR)

	December 31, 2016	December 31, 2015
EQUITY AND LIABILITIES		
Equity	**4,176**	**4,637**
Share capital	979	979
Revaluation reserves arising from revaluation of intangible assets, property, plant and equipment	5,159	5,523
Net profit for the year	-	173
Retained earnings - prior years	615	442
Accumulated losses - prior years	(367)	(367)
Loss for the year	(28)	-
Translation reserves	(2,182)	(2,113)
Non-current provisions and liabilities	**801**	**1,143**
Long-term provisions	**4**	**14**
Provisions for litigations – labor disputes	4	14
Long-term liabilities	**797**	**1,129**
Long-term borrowings, foreign	797	1,129
Deferred tax liabilities	479	567
Current liabilities	**561**	**390**
Short-term financial liabilities	**497**	**332**
Short-term borrowings, domestic	82	-
Other short-term financial liabilities	415	332
Advances, deposits and retainers received	5	4
Trade payables	**48**	**31**
Domestic – other related parties	3	2
Domestic	38	26
Foreign	2	2
Other account trade payables	5	1
Other current liabilities	7	6
Other taxes, contributions and duties payable	4	17
TOTAL EQUITY AND LIABILITIES	**6,017**	**6,737**

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, 2016 and 2015 was performed using the following rates:

- Balance Sheet items at December 31, 2016 except for the share capital, revaluation reserves and net loss were translated using the closing rate: 123.4723
- Balance Sheet items at December 31, 2015 except for the share capital, revaluation reserves and net profit were translated using the closing rate: 121.6261
- Share capital at December 31, 2016 and December 31, 2015 was translated using the historical exchange rate: 81.2203.
- Revaluation reserves at December 31, 2016 and December 31, 2015 were translated using the exchange rate at the date of revaluation of property, plant and equipment: 83.8286.
- Net profit and net loss for the years ended December 31, 2016 and December 31, 2015 were translated using the average exchange rate for 2016 and 2015: 123.1179 and 120.7328.