Hotelijersko Akcionarsko društvo

BEOGRADSKO MEŠOVITO PREDUZEĆE A.D., BEOGRAD

Financial Statements
Year Ended December 31, 2008 and
Independent Auditors' Report

CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Hotelijersko akcionarsko društvo "Beogradsko Mešovito Preduzeće" A.D., Beograd

We have audited the accompanying financial statements (pages 2 to 31) of Hotelijersko akcionarsko društvo "Beogradsko Mešovito Preduzeće" A.D., Beograd (the "Company" or "BMP"), which comprise the balance sheet as at December 31, 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of the significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and the Law on Accounting and Auditing of the Republic of Serbia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2008, and its financial performance, changes in equity and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

Deloitte d.o.o.

Deloitte d.o.o.
Belgrade
February 27, 2009

INCOME STATEMENT
Year Ended December 31, 2008
(thousands of EUR)

	Notes	2008	2007
OPERATING INCOME			
Sales	5	17,918	19,034
Other operating income	6	717	797
		18,635	19,831
OPERATING EXPENSES			
Cost of goods sold		293	322
Cost of materials	7	2,498	2,716
Staff costs	8	4,186	3,820
Depreciation and amortization	13	1,516	1,529
Other operating expenses	9	4,773	5,420
		13,267	13,807
PROFIT FROM OPERATIONS		5,369	6,024
FINANCE INCOME/(EXPENSES)			
Finance income	10	85	3,000
Finance expenses	11	(2,578)	(2,363)
PROFIT BEFORE TAX		2,876	6,661
Income taxes	12	(89)	-
PROFIT FOR THE YEAR		2,787	6,661

The accompanying notes on the following pages
are an integral part of these financial statements.

These financial statements were approved by the Company's management.

Signed on behalf of Hotelijersko akcionarsko društvo “Beogradsko Mešovito Preduzeće” A.D., Beograd:

Tihomir Trivunac
General Director

Christoph Brueckner
Financial Director

BALANCE SHEET
As at December 31, 2008
(thousands of EUR)

	Notes	December 31, 2008	December 31, 2007
ASSETS			
Non-current assets			
Property and equipment	13	46,138	46,828
Intangible assets	13	256	253
Deferred tax assets	12c)	-	13
		46,394	47,094
Current assets			
Inventories	14	449	504
Accounts receivable	15	300	660
Other current assets and prepayments	16	252	192
Cash and cash equivalents	17	2,343	2,988
		3,344	4,344
Total assets		49,738	51,438
EQUITY AND LIABILITIES			
Equity			
Share capital	18	30,860	30,860
Reserves	19	16,957	16,957
Accumulated loss		(20,428)	(23,215)
		27,389	24,602
Non-current liabilities			
Long-term borrowings	20	17,343	20,228
Other long-term liabilities	21	854	2,449
Deferred tax liabilities	12c)	210	145
		18,407	22,822
Current liabilities			
Current portion of long-term liabilities	20, 21	3,191	3,061
Accounts payable	22	158	249
Other current liabilities and accruals	23	593	704
		3,942	4,014
Total equity and liabilities		49,738	51,438

The accompanying notes on the following pages
are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2008
(thousands of EUR)

	Share Capital	Reserves	Accumulated Loss	Total
Balance, January 1, 2007	30,860	16,957	(29,877)	17,940
Profit for the year	-	-	6,661	6,661
Balance, December 31, 2007	30,860	16,957	(23,215)	24,602
Balance at January 1, 2008	30,860	16,957	(23,215)	24,602
Profit for the year	-	-	2,787	2,787
Balance, December 31, 2008	30,860	16,957	(20,428)	27,389

The accompanying notes on the following pages
are an integral part of these financial statements.

CASH FLOW STATEMENT
Year Ended December 31, 2008
(thousands of EUR)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	2,787	6,661
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,516	1,529
Loss on disposal of property and equipment	65	29
Foreign exchange losses/(gains), net	1,014	(2,909)
Financial expenses, net (including withholding taxes)	1,901	2,781
Decrease/(increase) in accounts receivables	359	(137)
Increase/(decrease) in other assets	(60)	48
Increase/(decrease) in inventories	54	(65)
(Decrease)/increase in accounts payable and other current liabilities	(213)	152
Net cash provided by operating activities	7,425	8,089
CASH FLOWS USED IN INVESTING ACTIVITIES		
Purchases of equipment and additions to buildings	(829)	(324)
Purchases of intangible assets	(66)	(122)
Interest received	85	91
Net cash used in investing activities	(810)	(355)
CASH FLOWS USED IN FINANCING ACTIVITIES		
Decrease in long-term debt	(5,362)	(4,547)
Interest paid	(1,898)	(2,872)
Dividends paid	-	(37)
Net cash used in financing activities	(7,260)	(7,456)
Net increase/(decrease) in cash and cash equivalents	(645)	278
Cash and cash equivalents at beginning of the year	2,988	2,710
Cash and cash equivalents at end of the year	2,343	2,988

The accompanying notes on the following pages
are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

1. ESTABLISHMENT AND ACTIVITY

Hotelijersko akcionarsko društvo "Beogradsko Mešovito Preduzeće" A.D., Beograd (hereinafter: the "Company" or "BMP") was established based on the Foundation and Investment Agreement executed on April 14, 1989 between North Haven Limited (93.94% of ownership), Hong Kong company, and two Serbian companies (together 6.06% of ownership). North Haven Limited, Hong Kong was up to 2006 owned by Hyatt International Corporation ("HIC"), which is incorporated in the United States of America. On June 6, 2006, Hyatt International Corporation sold its interest in North Haven Limited, Hong Kong to Luella Enterprises Company Limited, Nicosia, owned by Lampsa Hellenic Hotel Company S.A., Athens. The Company was registered with the District Court in Belgrade on October 10, 1998 pursuant to decision numbered Fi 4224/89. Pursuant to Decision numbered BD 22440/2005 of June 13, 2005, the Company's registration was reinscribed and transferred from the Commercial Court Register, into the Business Register maintained by the Serbian Business Registers Agency as required by the Company Law.

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

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

As of December 31, 2008, the Company had 251 employees (December 31, 2007: 249 employees).

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

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1. Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period:

- Amendments to IAS 39 „Financial Instruments: Recognition and Measurement" and IFRS 7 „Financial Instruments: Disclosures" - Reclassification of financial assets (effective on or after July 1, 2008),

- Amendments to IAS 39 „Financial Instruments: Recognition and Measurement" and IFRS 7 „Financial Instruments: Disclosures" - Reclassification of financial assets, effective date and transition (effective on or after July 1, 2008),

- IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions" (effective for annual periods beginning on or after March 1, 2007),

- IFRIC 12 "Service Concession Arrangements" (effective for annual periods beginning on or after January 1, 2008),

- IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective for annual periods beginning on or after January 1, 2008).

The adoption of these amendments to the existing standards and interpretations has not led to any changes in the Entity's accounting policies.

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

2.2. Standards and Interpretations in issue not yet adopted

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

- IFRS 8 “Operating Segments” (effective for annual periods beginning on or after January 1, 2009),
- IFRS 3 (revised) “Business Combinations” (effective for annual periods beginning on or after July 1, 2009),
- IFRS 1 (revised) “First-time Adoption of IFRS” (effective for annual periods beginning on or after July 1, 2009),
- Amendments to IFRS 7 “Financial Instruments: Disclosures” - Improving disclosures about financial instruments (effective for annual periods beginning on or after January 1, 2009)
- Amendments to IAS 27 “Consolidated and Separate Financial Statements” (effective for annual periods beginning on or after July 1, 2009),
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” - Eligible hedged items (effective for annual periods beginning on or after July 1, 2009),
- Amendments to IFRS 1 “First-time Adoption of IFRS” and IAS 27 “Consolidated and Separate Financial Statements” – Cost of investment in a subsidiary, jointly-controlled entity or associate (effective for annual periods beginning on or after January 1, 2009),
- Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS (IAS 1, IFRS 5, IAS 8, IAS 10, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41) 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, 2009),
- Amendments to IAS 32 “Financial Instruments: Presentation” and IAS 1 “Presentation of Financial Statements” – Puttable financial instruments and obligations arising on liquidation (effective for annual periods beginning on or after January 1, 2009),
- IAS 1 (revised) “Presentation of Financial Statements” – A revised presentation (effective for annual periods beginning on or after January 1, 2009),
- IAS 23 (revised) “Borrowing Costs” (effective for annual periods beginning on or after January 1, 2009),
- Amendments to IFRS 2 “Share-based Payment” – Vesting conditions and cancellations (effective for annual periods beginning on or after January 1, 2009),
- Amendments to IFRIC 9 “Reassessment of Embedded Derivatives” and IAS 39 “Financial Instruments: Recognition and Measurement” -Embedded Derivatives (effective for annual periods ending on or after June 30, 2009),
- IFRIC 13 “Customer Loyalty Programmes” (effective for annual periods beginning on or after July 1, 2008),
- IFRIC 15 “Agreements for the Construction of Real Estate” (effective for annual periods beginning on or after January 1, 2009),
- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation” (effective for annual periods beginning on or after October 1, 2008),
- IFRIC 17 “Distributions of Non-Cash Assets to Owners” (effective for annual periods beginning on or after July 1, 2009),
- IFRIC 18 “Transfers of Assets from Customers” (effective for transfer of assets from customers received on or after July 1, 2009).

The Company has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Company anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Entity in the period of initial application.

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

2.4. Going concern

The accompanying financial statements as of and for the year ended December 31, 2008 were prepared on a going concern basis. As of December 31, 2008, the Company's short-term liabilities exceeded its current assets by EUR 528 thousand. The Company's business operations were under the adverse influence of the movements in the dinar exchange rate and its decline as compared with EUR and USD. In consideration of further decline in the dinar exchange rate registered at the beginning of 2009, as well as the expectations in respect of the global financial and economic crisis, the Company's management has taken steps to decrease workforce by cancelling temporary contracts with employees, by new negotiations and reductions in long-term liabilities based on incentive fees and related interest (Note 27), by investing in the electricity reduction programs, by putting the second floor of the hotel completely out of use, as well as other measures taken towards cost management and reduction to the minimum, so as to maintain the same profit margins as in 2008. Based on the aforementioned, the Company's management expects to keep the profit margins and liquidity at the desired level, i.e. that it will be able to discharge its liabilities when due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Statements of compliance

The Company's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

3.2. Basis of Preparation and Presentation of Financial Statements

The financial statements have been prepared under historical cost convention, except for the appraisal of property and equipment and revaluation of financial instruments.

The Company's financial statements are stated in thousands of euros (€) representing the currency in which the majority portion of the Company's transactions has been presented.

The principal accounting policies are set out below.

3.3. Income and Expense Recognition

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

At the time when income is recognized, the relating expenditure is also recognized (the matching principle).

Interest income and interest expense is recognized on an accrual basis. Expenses are recognized as they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4. Foreign Exchange Translation

The Company's financial statements are stated in thousands of euros (€) representing the currency in which the majority portion of the Company's transactions has been presented. Monetary balance sheet items are translated at the official rate of the National Bank of Serbia prevailing at the balance sheet date. Non-monetary balance sheet and equity items are translated in EUR using the historical exchange rates in effect at the date of each transaction. Income statement items are translated into EUR using the historical exchange rates for the reporting year.

Foreign exchange gains or losses arising upon the translation of transactions, and assets and liabilities in foreign currencies are credited or charged to the Income Statement.

3.5. Income Tax Expense

Current Income Taxes

Current income tax represents an amount that is calculated and paid in accordance with the effective Republic of Serbia Income Tax Law.

Income tax is payable at the rate of 10% on the tax base reported in the annual corporate income tax return as reduced by any applicable tax credits. The taxable base stated in the income tax return includes the profit shown in the statutory statement of income, as adjusted for differences that are specifically defined under statutory tax rules.

The tax regulations in the Republic of Serbia do not envisage for any tax losses of the current period to be used to recover taxes paid within a specific carryback period. However, any current year losses may be used to reduce or eliminate taxes to be paid in future periods, but only for duration of no longer than 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. The currently-enacted tax rates or the substantively-enacted rates at the balance sheet date are used to determine the deferred income tax amount. Deferred tax liabilities are recognized on all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, and the tax effects of income tax losses and credits are available for carry forward, 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.

3.6. Employee Benefits

In accordance with local regulations, the Company is obligated to pay contributions to the State Social Security and Pension Funds. This obligation involves the payment of contributions on behalf of the employer in an amount calculated by applying the specific percentages stipulated under the effective regulations. The Company is also obligated to withhold contributions from gross payments to employees, on behalf of employees, to the same funds. These contributions, payable on behalf of both the employee and the employer are charged to expenses in the period to which they relate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.6. Employee Benefits (continued)

Pursuant to the effective labor regulations, the Company has an obligation to disburse an employee retirement benefit in an amount equal to three average salaries in the Republic of Serbia, in accordance with the latest published data of the Republic of Serbia Statistical Office. The provisions thereof have been not included in the financial statements for the year 2008 based on the management's estimate that such provision is immaterial to these financial statements.

3.7. Intangible Assets

Intangible assets are stated at cost, less accumulated amortization. The amortization of intangible assets is computed on a straight-line basis. Intangible assets comprise the capitalized cost of software and are amortized over a period of five up to ten years.

3.8. Property and Equipment

Property and equipment were initially valued at cost less subsequent accumulated depreciation and any subsequent accumulated impairment losses.

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

Accordingly, positive effects of appraisal of property were credited to revaluation reserves whereas negative effects of appraisal of equipment were charged to other operating expenses. Deferred tax liabilities incurred upon appraisal of EUR 145 thousand were also charged to revaluation reserves.

All additions of property and equipment after June 6, 2006 were recorded at cost. Cost represents the prices billed by suppliers together with all costs incurred in bringing new fixed assets into use.

The depreciation of property and equipment is computed on a straight-line basis during the estimated useful life.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

Repairs and maintenance are expensed as incurred and are shown as operating expenses.

The estimated remaining useful life, determined by independent appraisers, used for computation of depreciation of major categories of property and equipment is as follows:

Buildings	50 years
Rooms furniture	15 - 20 years
Kitchen furniture	12 - 15 years
Cars	5 years
Office furniture	12 - 15 years
Electric devices and computers	4 - 15 years
Sport equipment	7 - 10 years
Other equipment and furniture	10 - 30 years

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.9. Impairment

At each balance sheet date, the Company reviews the carrying amounts of its property and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is land or buildings other than investment property carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.10. Inventories

Material and spare parts are stated at cost, whereas the material produced by the Company is stated at the lower of cost and net realizable value.

Cost includes invoice value, costs of transportation and other expenses.

The net realizable value is the price at which inventories can be realized in the normal course of business, after allowing for the costs of realization.

The cost of raw materials and spare parts is determined by applying weighted average cost method.

3.11. Financial Instruments

Financial assets and liabilities are recognized on the Company’s balance sheet at the moment in which the Company has become a party to the contractual provisions of a particular financial instrument.

Financial assets cease to be recognized when the Company loses control of the contractual rights governing such instruments, which occurs when the rights of use of such instruments have been realized, expired, abandoned, and/or ceded. Financial liabilities cease to be recognized when the Company fulfills the obligations, or when the contractual repayment obligation has either been cancelled or has expired.

Accounts Receivable

Accounts receivable are stated at nominal value, less any allowance for doubtful receivables, based on management’s estimate as to the likelihood of their collectability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Financial Instruments (continued)

Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Incentive and management fees payable to the related parties are accrued based on the profitability of the Hotel, subject to the specific terms of the Management agreement (the "Agreement").

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Operating Liabilities

Short-term trade payables are carried at the amount due and payable.

3.11 Segment reporting and earnings per share

The Company elected not to present earnings per share and segment reporting disclosure required by IAS 33 "Earnings per share" and IAS 14 "Segment reporting" as the Company is closed joint stock company whose equity or debt instruments are not quoted on the Stock Exchange or any other active market.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in Note 3, the management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4.1. Key sources of estimation uncertainty

Estimated Useful Life of Property, Equipment and Intangible Assets

The estimate of useful life of property, equipment and intangible assets is founded on the historical experience with similar assets, as well as foreseen technical advancement and changes in economic and industrial factors. The adequacy of the estimated remaining useful life of fixed assets is analyzed annually, or in cases where there are indications of significant change in certain assumptions. The Company's management assesses that the accounting estimates with reference to the estimated useful life of an items of property and equipment, as well as intangible assets, are important accounting estimates, as they include the assumptions on technological advancement in a very innovative industry. Likewise, due to the significance of fixed assets in the total Company's assets, the significance of each change of in the aforementioned assumptions can lead to material effects on the Company's financial position, as well as on its financial performance.

Impairment of Assets

At each balance sheet date, the Company's management reviews the carrying amounts of the Company's tangible and intangible assets presented in the financial statements. 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 the impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying value, the carrying amount of the asset is reduced to its recoverable amount.

Provisions

Provisions in general are highly judgmental. The management assesses the probability of an adverse event as a result of a past event to happen and if the probability is evaluated to be more than fifty percent, the Company fully provides for the total amount of the liability. The Company is rather prudent in these assessments, but due to the high level of uncertainty, in some cases the evaluation may not prove to be in line with the eventual outcome of the case.

Deferred income tax assets

Deferred tax assets are recognized for all unused tax losses to the extent to which it is certain that the level of expected future gains taxable enough to unused tax losses can be used. Significant assessment of the leadership also is needed to determine the amount deferred tax assets that can be recognized, based on the period of emergence and height of future gains taxable and strategy planning.

Fair Value

It is a policy of the Company to disclose the fair value information of those components of assets and liabilities for which published or quoted market prices are readily available, and of those for which the fair value may be materially different than their recorded amounts. In the Republic of Serbia, sufficient market experience, stability and liquidity do not exist for the purchase and sale of receivables and other financial assets or liabilities, for which published market prices are presently not readily available.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

4.1. Key sources of estimation uncertainty (continued)

Fair Value (continued)

As a result of this, fair value cannot readily or reliably be determined in the absence of an active market. The Company's management assesses its overall risk exposure, and in instances in which it estimates that the value of assets stated in its books may have not been realized, it recognizes a provision. In the opinion of management, the reported carrying amounts are the most valid and useful reporting values under the present market conditions.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The carrying value less impairment provision of accounts receivable and carrying value of accounts payable are assumed to approximate their fair values, based on historical data and their relative short maturities. The fair value of other financial assets and liabilities for disclosures purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to Company for similar financial instruments.

5. SALES

	(thousands of EUR) Year Ended December 31, 2008	2007
Sales of:		
- rooms	11,423	12,104
- food	3,449	3,674
- beverage	1,549	1,678
- telephone	123	169
- fitness club	577	883
- internet	240	34
Parking and transportation	167	172
Laundry	154	177
Flowers	51	48
Cigarettes	48	46
Marketing	48	13
Other	89	36
	17,918	19,034

6. OTHER OPERATING INCOME

	(thousands of EUR) Year Ended December 31, 2008	2007
Rent:		
- presentation halls	378	404
- business premises	132	157
- equipment	99	132
- banquet hall	-	-
Recovery of claims	-	11
Other	108	93
	717	797

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

7. COST OF MATERIALS

	(thousands of EUR) Year Ended December 31, 2008	2007
Food	1,212	1,225
Small inventory	94	349
Raw materials	498	522
Maintenance	107	120
Gas	203	157
Fuel	33	22
Water	52	66
Electricity	299	255
	2,498	2,716

8. STAFF COSTS

	(thousands of EUR) Year Ended December 31, 2008	2007
Gross salaries	2,257	2,591
Contractor fees	624	557
Taxes and contributions	1,116	378
Subcontractor fees	10	34
Daily allowances	7	22
Employee transportation	55	55
Authors’ fees	12	15
Employee rewards	38	47
Litigation expense - former employees	48	93
Other	19	28
	4,186	3,820

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

9. OTHER OPERATING EXPENSES

	(thousands of EUR) Year Ended December 31, 2008	2007
Transportation	115	126
Communications	81	92
Maintenance	172	194
Software maintenance	59	93
Rents	25	26
Marketing	265	323
Other services	1	10
Utilities	66	79
Non production services	73	98
Security	162	153
Tourist services	149	143
Consulting services	48	55
Lawyers services	88	58
Entertainment	39	59
Insurance	101	176
Fees:		
- Gold passport	109	134
- Bank charges	97	91
- Credit cards	269	296
Basic management fees	560	595
Incentive fees	1,366	1,472
Withholding taxes on interest payments to non-resident	338	509
City land tax	142	206
Reservation centre	97	84
Other expenses	351	348
	4,773	5,420

10. FINANCE INCOME

	(thousands of EUR) Year Ended December 31, 2008	2007
Interest income	85	91
Foreign exchange gains	-	2,909
	85	3,000

11. FINANCE EXPENSES

	(thousands of EUR) Year Ended December 31, 2008	2007
Interest expense on:		
- long-term loans	1,370	2,043
- incentive fees	188	289
Foreign exchange losses	1,014	-
Other	6	31
	2,578	2,363

12. INCOME TAXES

a) Component of income tax

	thousands of EUR) Year Ended December 31, 2008.	2007.
Current tax	-	-
Deferred tax	(89)	-
	(89)	-

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

	(thousands of EUR) Year Ended December 31, 2008	2007
Profit before tax	2,787	6,661
Income tax at the statutory tax rate of 10%	279	666
Effects of expenses that are not deductible in determining taxable profit	-	1
Utilized tax loss carry forwards	(190)	(721)
Tax credits available for carry forward	-	33
Other	-	21
	89	-

c) Deferred tax assets and liabilities

	(thousands of EUR) December 31, 2008	December 31, 2007
Deferred tax assets		
Tax loss carry forwards	170	297
Tax credit carry forwards	855	955
Valuation allowance	(95)	(445)
	930	807
Deferred tax liabilities		
Temporary differences on property, equipment and intangible assets	(841)	(939)
	(841)	(939)
Net	89	(132)

12. INCOME TAXES (continued)

Valuation allowance for deferred tax assets relates to tax loss and tax credit carry forwards, which expire in periods from two to ten years.

Tax loss and tax credit carryforwards expire in the following periods:

(thousands of EUR)

Origination Year	Expiration Year	Tax Losses	Tax Credits	Total
2003	2013	-	252	252
2004	2014	-	122	122
2005	2015	-	326	326
2006	2016	170	49	219
2007	2017	-	29	29
2008	2018	-	77	77
		170	855	1,025

13. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

(thousands of EUR)

	Land	Buildings	Equipment	Construction in progress	Total	Intangible Assets
Cost/Revaluation						
Balance at January 1, 2007	8,460	48,838	12,364	-	69,662	710
Additions	-	18	305	-	323	122
Disposals	-	-	(44)	-	(44)	-
Transfers and other movements	(117)	485	(297)	-	71	(307)
Balance at December 31, 2007	8,343	49,341	12,328	-	70,012	525
				-		
Balance at January 1, 2008	8,343	49,341	12,328	-	70,012	525
Additions	-	68	403	358	829	66
Disposals	-	-	(108)	-	(108)	-
Transfers and other movements	-	-	-	-	-	-
Balance at December 31, 2008	8,343	49,409	12,623	358	70,733	591
Accumulated Depreciation and Amortization						
Balance at January 1, 2007	-	13,001	8,732	-	21,733	210
Charge for the year	-	993	473	-	1,466	62
Disposals	-	-	(15)	-	(15)	-
Balance at December 31, 2007	-	13,994	9,190	-	23,184	272
Balance at January 1, 2008	-	13,994	9,190	-	23,184	272
Charge for the year	-	998	455	-	1,453	63
Disposals	-	-	(42)	-	(42)	-
Balance at December 31, 2008	-	14,992	9,603	-	24,595	335
Net Book Value						
- at December 31, 2008	8,343	34,417	3,020	358	46,138	256
- at December 31, 2007	8,343	35,347	3,138	-	46,828	253

The Company provided a senior collection right mortgage lien registered on its building of a net book value of EUR 34,416 at December 31, 2008, in favor of Belven Associates, incorporated in the Bahamas (“Belven”), in order to collateralize the repayment of its long-term borrowings and related interest.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

14. INVENTORIES

	(thousands of EUR) December 31, 2008	December 31, 2007
Materials	194	221
Spare parts	163	174
Goods	92	109
	449	504

15. ACCOUNTS RECEIVABLE

	(thousands of EUR) December 31, 2008	December 31, 2007
Domestic accounts receivable	161	298
Foreign accounts receivable	99	122
Receivables from specific operations - related parties	-	5
Advances to suppliers	-	66
Other receivables	109	237
	369	728
Allowance for impairment	(69)	(68)
	300	660

16. OTHER CURRENT ASSETS AND PREPAYMENTS

	(thousands of EUR) December 31, 2008	December 31, 2007
Prepaid insurance	102	64
Prepaid expenses of software maintenance	105	32
Receivables for un-invoiced income	45	93
Value added tax receivables	-	3
	252	192

17. CASH AND CASH EQUIVALENTS

	(thousands of EUR) December 31, 2008	December 31, 2007
Dinar account	240	581
Foreign currency accounts	2,086	2,403
Cash in hand	17	4
	2,343	2,988

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008

18. SHARE CAPITAL

The total share capital of the Company is comprised of 7,417 common stocks and 750 preference stocks having an aggregate value of EUR 30,860,397. On May 30, 2006 the Company enacted a Resolution with respect to the Homogenization of Shares due to the change in their nominal value (the "Resolution"). In accordance with the aforecited Resolution, the individual par value of the Company's shares was EUR 3,778. On October 19, 2006, the Company registered the aforementioned changes in capital with the Serbian Business Register Agency.

"Investbanka" a.d., Beograd – in bankruptcy and Oil Industry of Serbia a.d., Novi Sad resigned as shareholders of the Company, and on n March 20, and June 4, 2008, respectively, and sold its stake in the Company to North Haven Ltd., Hong Kong, which ultimate owner is Lampsa Hellenic Hotel Company S.A., Athens.

The Company's share capital structure, as presented in the Company's books of account as of December 31, 2008 was as follows:

				Thousands of EUR	
	Number of Common Stock	Number of Preferred Stock	Total Number of Stock	December 31, 2008	Share in %
Foreign shareholder					
North Haven Ltd., Hong Kong	6,968	750	7,718	29,063	93.94
Domestic shareholders					
Energoprojekt Holding, Beograd	441	-	441	1,765	5.72
Putnik A.D., Beograd	8	-	8	32	0.10
	7,417	750	8,167	30,860	100

The Company's share capital structure, as presented in the Company's books of account as of December 31, 2007 was as follows:

				Thousands of EUR	
	Number of Common Stock	Number of Preferred Stock	Total Number of Stock	December 31, 2007	Share in %
Foreign shareholder					
North Haven Ltd., Hong Kong	3,783	-	3,783	14,532	47.09
Domestic shareholders					
JP NIS Jugopetrol, Beograd	2,955	750	3,705	13,609	44.10
Energoprojekt Holding, Beograd	441	-	441	1,765	5.72
Investbanka A.D., Beograd - in Bankruptcy	230	-	230	922	2.99
Putnik A.D., Beograd	8	-	8	32	0.10
	7,417	750	8,167	30,860	100.00

a) Common Stock

The subscribed, authorized, issued and fully paid-in capital consists of 7,417 individual shares of common stock, including the founding issuance of 6,968 shares of common stock and an issuance of 449 common stock in connection with the conversion of liabilities to stockholders into capital, performed in accordance with the provisions of the Resolution of the Stockholders' Assembly of February 20, 2004. The increase in share capital based on the conversion of liabilities to stockholders into capital was registered with the Commercial Court of Belgrade under Decision numbered IV Fi. 2303/04 of March 5, 2004.

18. SHARE CAPITAL (continued)

b) Preferred Stock

Pursuant to the aforementioned resolution of the Stockholders' Assembly of February 20, 2004, the long-term liabilities to NIS Jugopetrol, Belgrade of US$ 3,000 thousand was converted into the Company's preferred stock. The aforementioned liabilities were associated with the receivables of GP Rad, Belgrade in Bankruptcy from the Company that was transferred to JP NIS Jugopetrol, Belgrade in accordance with the provisions of the 1992 Cession Agreement. In the amount of the aforementioned debt the Company issued 750 preferred shares, having an individual par value of US$ 4,000 as stated at the date of the aforecited resolution.

The Company's preferred stock does not entitle the holder to voting rights, and includes priority payment of dividends and senior rights in the distribution of liquidation assets. The listed actions were subject to homogenization actions in 2006 year, and on June 4, 2008 was purchased by the majority shareholders.

19. RESERVES

Reserves in the amount of EUR 16,957 thousand, mostly (EUR 15,662 thousand) relate to former revaluation reserves that were formed in accordance with the previously-applicable accounting standards and regulations prevailing in the Republic of Serbia and were subsequently transferred to statutory reserves.

20. LONG-TERM BORROWINGS

			(thousands of EUR)	
		USD	December 31, 2008	December 31, 2007
Belven Associates, Bahamas	LIBOR+3%	26,393,704	18,737	21,560
Current portion		(1,963,879)	(1,394)	(1,332)
			17,343	20,228

The long-term loan of EUR 18,737 relates to a loan that was originated in 1989 by Belven Associates ("Belven"). On October 19, 2004, the Company and Belven entered into a new Loan Agreement for purposes of restructuring the outstanding debt to Belven, and thereby replacing the Interim Loan Agreement dated July 31, 2004. Consequently, the loan counterparties agreed that the loan principal would be repaid in monthly installments of US$ 164 thousand up to December 2015. Such repayments could be accelerated by means of monthly repayments involving any additional cash available to the Company on or before the fifth day of each successive calendar month (commencing December 5, 2004) during the term of the loan. The aforementioned loan was issued at an annual interest rate equal to the 3-month LIBOR rate +3%. The Company provided a senior collection right mortgage lien on its building, registered in favor of Belven Associates, in order to collateralize the repayment of its long-term borrowings and related interest (Note 13). In April 2007 the Company's ultimate shareholder, Lampsa Hellenic Hotel Company S.A., Athens exercise its call option for the purchase of the shares of the Belven.

The respective maturities of the Company's long-term loan, as summarized in accordance with the estimated cash available to the Company, is as follows:

20. LONG-TERM BORROWINGS (continued)

	(thousands of EUR) 2008	2007
- up to one year	1,394	1,332
- from one to two years	1,394	1,332
- from two to three years	2,672	1,332
- from three to four years	4,021	2,552
- from four to five years	4,305	3,840
- over five years	4,951	11,172
	18,737	21,560

21. OTHER LONG-TERM LIABILITIES

	USD	(thousands of EUR) December 31, 2008	December 31, 2007
Deferred long-term liabilities with respect to:			
- incentive fees	2,829,159	2,002	3,145
- deferred incentive fees	914,706	649	1,033
		2,651	4,178
Current portion of other long-term liabilities		(1,797)	(1,729)
		854	2,449

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

In accordance with the terms of the Subordination Agreement entered into on October 19, 2004 among the parties, the Company, Belven and Hyatt International (Europe, Africa, Middle East) Ltd., the repayment of deferred incentive fees was entirely subordinated to the full repayment of long-term liabilities to Belven. Pursuant to the aforecited agreement, commencing as of January 1, 2005 the Company began repaying the incentive fees on a current basis as they became due and payable.

The repayment of deferred incentive fees for each year beginning with 2005 was scheduled to be made in installments equal to the sum of (a) twenty percent of the outstanding deferred incentive fees payable as of December 31, 2004, (b) the aggregate amount of the unpaid portion stated under (a), if any, and (c) interest on deferred incentive fees from December 31, 2004 up to the date of payment. However, if in any year, the repayment of deferred incentive fees payable would result in the occurrence of default under the terms of the new Loan Agreement, the Company is to pay either an amount that would not result in default, or alternately, it is not to effect payment of the deferred incentive fees due. The annual interest on deferred incentive fees payable is seven and one half percent.

21. OTHER LONG-TERM LIABILITIES (continued)

The maturity of other long-term liabilities, as presented in accordance with the estimated cash available to the Company, is as follows:

	(thousands of EUR) 2008	2007
- up to one year	1,797	1,729
- from one to two years	854	1,633
- from two to three years	-	816
	2,651	4,178

22. ACCOUNTS PAYABLE

	(thousands of EUR) December 31, 2008	December 31, 2007
Accounts payable - related parties	60	109
Payables to domestic suppliers	84	123
Payables to foreign suppliers	14	17
	158	249

23. OTHER CURRENT LIABILITIES AND ACCRUALS

	(thousands of EUR) December 31, 2008	December 31, 2007
Other current payables	7	80
Accrued expenses	525	528
Value added tax and other public duties payable	61	96
	593	704

Accrued expenses at December 31, 2008 of EUR 525 thousand are associated with the accrued expenses for electricity of EUR 21 thousand, litigation costs of EUR 92 thousand, professional services of EUR 198 thousand, and other expenses in the amount of EUR 214 thousand.

24. RELATED PARTY TRANSACTIONS

In addition to the parent company and minority shareholders the Company's related parties include other companies within Lampsa Helenic Hotel Group. As of December 31, 2008 and 2007 the balances and transactions with related parties relate to long-term borrowings disclosed in Note 20 and interest expense disclosed in Note 11.

25. LITIGATION

As of December 31, 2008, the Company is a defendant in seven lawsuits, of which four proceedings were filed by former employees in connection with the termination of their employment in the Company. The total value of legal proceedings filed against the Company amount to EUR 11 thousand, without potential penalty interest. The Company recognized a provision for contingent liabilities arising from such litigation in the amount of EUR 92 thousand (Note 23), whereas the Company's management assesses that the Company will not be exposed to materially significant losses with respect to aforementioned proceedings.

Conversely, as of December 31, 2008 the Company had initiated various legal proceedings in an effort to force payments of its receivables attributable to hotel services provided in the amount of EUR 59 thousand.

26. FINANCIAL INSTRUMENTS

Capital risk management

There is no formal capital risk management framework implemented in the Company. The Management Board focuses on capital risk on a case basis to mitigate risks and ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance**.** The capital structure of the Company consists of debt, which includes the long-term borrowings and other long-term liabilities disclosed in Notes 20 respectively, cash and cash equivalents and equity attributable to equity holders, comprising issued capital, reserves and accumulated loss

The Company's Management Board reviews the capital structure on an as needed basis. As a part of this review the Board considers the cost of capital and the risks associated with each class of capital. Based on this review, the Company will balance its overall capital structure through the further decrease of accumulated loss, payment of dividends, increase in share capital as well as the issue of new debt or the redemption of existing debt. The Company's overall strategy remains unchanged from 2008.

Indexes of indebtedness also with the situation at the end of the year were the following:

		thousands of EUR
	December 31, 2008.	**December 31, 2007.**
Indebtedness a)	21,389	25,738
Cash and cash equivalents	2,343	2,988
Net indebtedness	19,046	22,750
Equity b)	27,389	24,601
Ratio total debts by equity	0.70	0.92

Debt balance refers to the long-term loans and other financial obligations.

Corporate capital includes equity, reserves and accumulated loss.

26. FINANCIAL INSTRUMENTS (continued)

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

Categories of financial instruments

	thousands of EUR	
	December 31, 2008.	**December 31, 2007.**
Financial assets		
Accounts receivables	191	357
Cash and cash equivalents	2,343	2,988
	2,534	3,345
Financial liabilities		
Long-term liabilities	17,343	20,229
Other long-term liabilities	854	2,449
Accounts payable	158	249
Current portion of long-term debt	3,191	3,061
	21,546	25,988

Basic financial instruments held by the Company comprise cash and cash equivalents arising directly from the Company's business operations, as well as long-term borrowings. In the regular course of business, the Company is exposed to the risk enumerated and delineated in the following passages.

Financial risk management objectives

The Company's activities expose it to a variety of financial risks. These risks include credit risk, liquidity risk and market risk (including foreign currency exchange risk and interest rate risk). The Company does not use derivative financial instruments or any other form of hedges against these risks.

There is no formal risk management framework implemented in the Company. The Management Board focuses mainly on credit risk, liquidity risk and foreign currency exchange risk and acts on a case basis to mitigate risks and minimize losses. However, such activities, on as needed basis, may be not entirely effective, and therefore it cannot be precluded that fluctuations in the risk variables, might have some adverse effects on the operations, financial position and financial performance of the Company.

Market risk

In its business operations, the Company is exposed to financial risks inherent in fluctuations of foreign currencies and interest rates.

Foreign currency 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.

26. FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk

Currency risks arise on account of financial instruments being denominated in a currency that is not the functional currency and being of a monetary nature; differences resulting from the translation of financial statements into the Company's functional currency are not taken into consideration. Relevant risk variables are generally all non-functional currencies in which the Company has financial instruments.

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

thousands of EUR

	Assets		Liabilities	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
RSD	1,230	1,019	144	1,022
USD	1,523	1,936	21,390	2,016
GBP	-	453	-	104

Foreign currency sensitivity analysis

The following table details the Company's sensitivity to a 10% increase and decrease in the functional currency against the non-functional foreign currencies RSD and USD, respectively. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for 10% change in foreign currency rates of RSD and USD currency, with all other variables remaining constant.

thousands of EUR

	December 31, 2008				December 31, 2007			
	RSD impact		USD impact		RSD impact		USD impact	
	+10%	-10%	+10%	-10%	+10%	-10%	+10%	-10%
Profit or loss	1	(1)	1,422	(1,422)	(70)	100	2,164	(2,645)

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

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

26. FINANCIAL INSTRUMENTS (Continued)

Interest rate risk

The Company is exposed to various risks through the effects of the fluctuations in the market interest rates which influence their financial position and cash flows.

Given that the Company has no interest-bearing assets, the Company's income is to a great extent dependent of interest rate risks.

The Company's risk from the changes in the fair value of the interest rates arises primarily on the long-term borrowings from Belven. The loans obtained at fluctuation interest rates make the Company's cash flows susceptible to the risk of changes in fair value of interest rates. In the course of 2008, considerable liabilities with reference to borrowings extended at a variable interest rate which was linked to LIBOR (the liabilities with respect to the loan approved by Belven). Borrowings with variable interest rates are expressed in foreign currency (USD). Other long-term liabilities with respect to incentive and deferred incentive fees are also denominated in USD and have fixed interest rate.

The Company analyses its exposure of interest rate risk on a dynamic basis whereas the Company still does not swap variable for fixed interest rates, and vice versa.

	thousands of EUR	
	December 31, 2008.	**December 31, 2007.**
Financial assets		
Non-interest bearing		
Accounts receivables	191	357
Cash and cash equivalents	2,343	2,988
	2,534	3,345
Financial liabilities		
Non-interest bearing		
Accounts payable	158	249
Fixed interest rate		
Long-term liabilities	854	2,449
Current portion of long-term debt	1,797	1,729
Variable interest rate		
Long-term liabilities	17,343	20,229
Current portion of long-term debt	1,394	1,332
	21,546	25,988
	(19,012)	(22,643)

In case an interest rate on borrowings from Belven in foreign currency as of December 31, 2008, exceeded/was less by 2 percentage point annually, where other variables remain the same, the Company's net profit for the year 2008 would be lower/higher by EUR 375 thousand (2007 – EUR 431 thousand), as a result of a greater/less interest expense.

26. FINANCIAL INSTRUMENTS (Continued)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Taking into account the Company's the business activities and the fact that the Company deals with private individuals the Company is exposed to the credit risk to a limited extent.

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

The structure of accounts receivable as of December 31, 2008 is presented in the following table:

thousands of EUR

	Gross Exposure	Allowance for Impairment	Net Exposure
Accounts receivable not matured	161	-	161
Accounts receivable matured, and provided for	69	(69)	-
Accounts receivable matured, but not provided for	30	-	30
	260	(69)	191

The structure of accounts receivable as of December 31, 2007 is presented in the following table:

thousands of EUR

	Gross Exposure	Allowance for Impairment	Net Exposure
Accounts receivable not matured	298	-	298
Accounts receivable matured, and provided for	68	(68)	-
Accounts receivable matured, but not provided for	58	-	58
	425	(68)	357

Accounts Receivable not matured

Accounts receivable not matured recorded as of December 31, 2008 in the amount of EUR 161 thousand (December 31, 2007: EUR 298 thousand) mostly relate to amounts due from credit cards. These receivables mature within 30-60 days following the invoicing date, depending on the terms of payment. The average number of days' sales outstanding in 2008 counted 25 days.

Accounts Receivable Matured and provided for

In the previous periods, the Company calculated an allowance for impairment of matured receivables of EUR 69 thousand (2007: EUR 68 thousand) due from those customers whose creditworthiness has changed and which will not be collected in full.

26. FINANCIAL INSTRUMENTS (Continued)

Credit Risk (Continued)

Managing Accounts Receivable (Continued)

Accounts Receivable Matured, but not provided for

The Company did not make an allowance for impairment of receivables matured as of December 31, 2008 in the amount of EUR 99 thousand (December 31, 2007: EUR 59 thousand) given that the customer creditworthiness has not changed, and the Company holds that the present value of these receivables will be collected in full.

The ageing structure of accounts receivable matured, but not provided for is presented in the following table:

	December 31, 2008	December 31, 2007
Within 30 days	40	4
From 31to 90 day	-	-
From 91to 180 days	-	-
From 181to 365 days	-	-
Over 365 days	59	54
	99	58

Managing Accounts Payable

Accounts payable as of December 31, 2008 stated in the amount of EUR 158 thousand (December 31, 2007: RSD 249 thousand). These suppliers do not charge penalty against matured liabilities, whereas the Company duly settles accounts payable, as in accordance with financial risk management policies. The average days' outstanding for settling accounts payable in the course of 2008 amounted to 27 days (during the 2007 amounted to 29 days).

Liquidity risk

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

26. FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Liquidity and interest risk tables

The following table details the Company's remaining contractual maturity for its non-derivative 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 can be required to pay. The table includes both interest and principal cash flows.

thousands of EUR

	Weighted Average effective interest rate (%)	Up to one month	From one month to three months	From three months to one year	From one year to five year	Over five year	Total
2008							
Non-interest bearing	-	158	-	-	-	-	158
Fixed interest rate instruments	7.500%	142	373	1,282	855	-	2,652
Variable interest rate instruments	8.230%	234	454	2,044	16,366	4,959	24,057
		534	827	3,326	17,220	4,959	26,867
2007							
Non-interest bearing	-	-	249	-	-	-	249
Fixed interest rate instruments	7.500%	298	310	1,365	2,570	-	4,543
Variable interest rate instruments	8.230%	264	515	2,305	12,048	15,119	30,251
		562	1,074	3,670	14,618	15,119	35,043

Fair values

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

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

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

The following table represents the present value of financial assets and liabilities and their fair value as of December 31, 2008 and 2007

26. FINANCIAL INSTRUMENTS (Continued)

	December 31, 2008		December 31, 2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Long-term investment	-	-	17	17
Accounts receivable	260	260	358	358
Cash and cash equivalents	2,343	2,343	2,988	2,988
	2,603	2,603	3,363	3,363
Financial liabilities				
Long-term liabilities	17,343	17,343	20,229	20,229
Other long-term liabilities	854	854	2,449	2,449
Current portion of long-term liabilities	3,191	3,191	3,573	3,573
Accounts payable	158	158	249	249
	21,546	21,546	26,499	26,499

27. SUBSEQUENT EVENTS

In accordance with the letter signed on February 27, 2009 among Hyatt International EAME, Belven associates and the Company, Hyatt International agrees to reduce the deferred long term liabilities based on the incentive fees and related interest as of December 31, 2008, which are defined in the Subordination agreement, for the amount of USD 431,945 (EUR 307 thousands). Payment of the remaining balance of these deferred liabilities will be settled quarterly on three equal installments, starting from March 31, 2009.