Hotel Shareholding Company
“EXCELSIOR”A.D., Beograd

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

Translation of the auditors’ report issued in the Serbian language

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of the Hotel Shareholding Company "Excelsior" A.D., Beograd

We have audited the accompanying financial statements (pages 3 to 29) of the Hotel Shareholding Company "Excelsior" A.D., Beograd (the "Company"), 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.

The audit of financial statements as of and for the year ended December 31, 2007 was not performed given that the Company was classified as a small size entity and was not required by the accounting regulations of the Republic of Serbia to engage an independent auditor and audit its financial statements prepared as of and for the year ended December 31, 2007.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting regulations of the Republic of Serbia. 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.

(Continued)

Translation of the auditors' report issued in the Serbian language

INDEPENDENT AUDITORS' REPORT

To the Shareholders of the Hotel Shareholding Company "Excelsior" A.D., Beograd (Continued)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Excelsior a.d., Beograd as of December 31, 2008, and its financial performance, changes in equity and its cash flows for the year then ended, in accordance with the accounting regulations of the Republic of Serbia.

Emphasis of Matter

Without qualifying our opinion, we draw attention to the following matters:

a) The Company incurred a net loss of RSD 17,784 thousand, during the year ended December 31, 2008 and, as of that date, the Company's current liabilities exceeded its current assets by RSD 29,327 thousand. As disclosed in Note 2.4, the majority owner of the Company, Eteria Ellinikon Ksenodohion Lampsa AE, Athens, Greece, committed to provide financial assistance to the Company for as long as it is unable to meet its liabilities towards third parties when and as due.

b) As disclosed in Note 24 to the financial statements, land and buildings presented as of December 31, 2008 in the amount of RSD 603,938 thousand are in the Company's ownership based on the denationalization performed in an earlier period. Pursuant to the Agreement on the Acquisition of Socially-Owned Capital executed with the Serbian Business Registers Agency, the majority owner is also aware that the Company's assets include nationalized property and agrees to handle such property pursuant to the relevant law. Until the issuance of these financial statements, laws and other formal acts regulating this sphere had not yet been enacted. The Company's management judges that the Company will not suffer adverse effects arising from the issue of regulating nationalized property and will not be required to make payments in this respect.

Belgrade, March 3, 2009

Žarko Mijović
Certified Auditor

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

	Note	2008	*Not Audited* 2007
OPERATING INCOME			
Sales	5	34,732	34,516
Other operating income	6	1,299	1,413
		36,031	35,929
OPERATING EXPENSES			
Cost of materials	7	(8,814)	(7,224)
Staff costs	8	(25,616)	(22,592)
Depreciation and amortization	14	(7,991)	(1,253)
Other operating expenses	9	(9,905)	(6,666)
		(52,326)	(37,735)
LOSS FROM OPERATIONS		(16,295)	(1,806)
Finance income	10	243	68
Finance expenses	11	(1,870)	(79)
Other income		474	731
Other expenses	12	(3,648)	(348)
LOSS BEFORE TAX		(21,096)	(1,434)
Income taxes:	13		
- current income tax benefit		3,312	-
LOSS FOR THE YEAR		(17,784)	(1,434)

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 and submitted to the National Bank of Serbia, Center for Credit Worthiness Assessment on February 28, 2009.

Signed on behalf of Hotel Shareholding Company “Excelsior” a.d., Beograd:

Christoph Bruckner
General Director

Lidija Lončar
Preparer of Financial Statements

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

	Note	December 31, 2008	*Not Audited* December 31, 2007
ASSETS			
Non-current assets			
Property and equipment	14	617,900	73,488
		617,900	73,488
Current assets			
Inventories	15	730	568
Accounts receivable	16	342	2,574
Cash and cash equivalents	17	1,497	342
Value added tax and prepayments	18	525	170
		3,094	3,654
Deferred tax assets	13	3,312	-
Total assets		624,306	77,142
EQUITY AND LIABILITIES			
Equity			
Share capital	19	77,311	-
Socially-owned capital		-	75,179
Reserves		480,272	-
Accumulated losses		(19,761)	(8,273)
		537,822	66,906
Current liabilities			
Short-term borrowings	20	24,200	-
Accounts payable	21	5,012	6,669
Other current liabilities and accruals	22	3,209	3,344
Value added tax and other taxes and duties payable		-	223
		32,421	10,236
Deferred tax liabilities	13	54,063	-
Total equity and liabilities		624,306	77,142

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 RSD)

	Share Capital	Socially-Owned Capital	Revaluation Reserves	Accumulated Losses	Total
Not Audited					
Balance, January 1, 2007	-	75,179	-	(6,839)	68,340
Loss for the year	-	-	-	(1,434)	(1,434)
Balance, December 31, 2007	-	75,179	-	(8,273)	66,906
Balance, January 1, 2008	-	75,179	-	(8,273)	66,906
Transformation	75,179	(75,179)	-	-	-
Appraisal surplus	-	-	540,633	-	540,633
Transfer to deferred tax liabilities	-	-	(54,063)	-	(54,063)
New share issue	2,132	-	-	-	2,132
Decrease of revaluation reserves	-	-	(6,298)	6,298	-
Other	-	-	-	(2)	(2)
Loss for the year	-	-	-	(17,784)	(17,784)
Balance, December 31, 2008	77,311	-	480,272	(19,761)	537,822

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 RSD)

	2008	*Not Audited* 2007
Operating activities		
Cash receipts from customers	38,525	33,017
Other cash received from operating activities	1,299	413
Cash paid to suppliers	(18,582)	(10,809)
Cash paid to and on behalf of employees	(28,764)	(22,279)
Interest paid	(1,868)	(79)
Non-income taxes and other duties paid	(641)	(388)
Net cash used in operating activities	(10,031)	(125)
Investing activities		
Interest received	187	-
Purchases of intangible assets, property and equipment	(13,201)	-
Net cash used in investing activities	(13,014)	-
Financing activities		
Net proceeds from short-term borrowings	24,200	-
Net cash provided by financing activities	24,200	-
Net increase /(decrease) in cash and cash equivalents	1,155	(125)
Cash and cash equivalents, beginning of year	342	467
Cash and cash equivalents, end of year	1,497	342

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008
All amounts are expressed in thousands of RSD, unless otherwise stated.

1. ESTABLISHMENT AND ACTIVITY

The Hotel Shareholding Company involved in hotel, accommodation and tourist services “Excelsior” a.d., Belgrade (hereinafter: the “Company”) was established based on the Decision enacted by the Labor Council of the Hotel Company “Unija” at the meeting held on November 2, 1993.

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

Based on the March 14, 2008 Decision issued by the Privatization Agency, the Company’s shares were transferred free of charge to employees and former employees in the amount of the balance of 30% share capital in the procedure of selling the Company.

Pursuant to the Decision issued by the Company’s Assembly on April 4, 2008 regarding the change in the organization form, the socially-owned company was transformed into a shareholding company. The aforementioned ownership transformation was registered with the Serbian Business Registers Agency on April 23, 2008.

The primary business activity of the Company includes the hotel, accommodation and touristic business activities and other activities, necessary or adequate, for the realization of principal activities necessary for successful primary business activity. The Company’s registered office is in Belgrade, on Kneza Milosa 5.

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

As of December 31, 2008, the Company had 35 employees (December 31, 2007: 44 employees).

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

2.1. Basis of Preparation and Presentation of Financial Statements

Pursuant to the Law on Accounting and Auditing (See Official Gazette of the Republic of Serbia no. 46 of June 2, 2006), legal entities and enterprises 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 with the prevailing legislation and professional rules which include: the Framework for the Preparation and Presentation of Financial Statements (the “Framework”), International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS), as well as the related interpretations representing an integral part of these standards.

Pursuant to its Decision numbered 011-00-738-2003-01 of December 30, 2003, the Republic of Serbia Ministry of Finance determined and issued the Framework and IAS that were applied as of December 31, 2002, and upon which both the previous and the 2006 Law on Accounting and Auditing were based.

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

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

The amendments to the IAS, as well as the newly-issued IFRS and the related interpretations issued by the International Accounting Standards Board (the “Board”) and the International Financial Reporting Interpretations Committee (the “Committee”), upon the aforementioned date, were officially adopted pursuant to a Decision enacted by the Ministry of Finance of the Republic of Serbia (the “Ministry”) with reference to the issuance of International Financial Reporting Standards (number 401-00-11/2008-16) and published in the Official Gazette of the Republic of Serbia number 16 of February 12, 2008. The Ministry also established (based on the Decision number 401-00-1456/2008-16) and published the official translation of the amendments to IAS 39 “Financial Instruments: Recognition and Measurement” and to IFRS 7 “Financial Instruments: Disclosures” in the RS Official Gazette number 116 as of December 17, 2008.

However, until the preparation date of the accompanying financial statements, not all amendments to Standards and Interpretations had been translated. In addition, the officially prescribed forms for financial statements, “Guidelines on the Prescribed Form and Content of the Financial Statements of Enterprises, Cooperatives and Entrepreneurial Ventures” (“Guidelines”) and other secondary legislation acts had not yet been amended, i.e. reconciled (with the officially published Standards and Interpretations). The Interpretations in application for the accounting periods commencing January 1, 2008, which were not officially translated and adopted by the Ministry are disclosed in Note 2.2.

The accompanying financial statements are presented in the format prescribed under the “Guidelines on the Prescribed Form and Content of the Financial Statements of Enterprises, Cooperatives and Entrepreneurial Ventures” (See Official Gazette of the Republic of Serbia, no. 114 of December 22, 2006). Such statements represent the complete set of financial statements as defined under the law, which differ from those defined under the provisions of IAS 1, “Presentation of Financial Statements,” and differ in some respects, from the presentation of certain amounts as required under the aforementioned standard.

In accordance with the aforementioned and due to the potentially material effects of the departures of the accounting regulations of the Republic of Serbia from IFRS and IAS, the accompanying financial statements cannot be treated as a set of financial statements prepared in accordance with IAS and IFRS.

2.2. Standards and Interpretations Issued, but not yet in Translated and Adopted

Also, as of the financial statements preparation date, the following interpretations were not officially translated and adopted by the Ministry.

- IFRIC 13 Customer Loyalty programs (effective for financial periods starting July 1, 2008);
- IFRIC 14 Interpretation on IAS 19 – The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction (effective for the accounting periods starting January 1, 2008);
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation. (effective for financial periods starting October 1, 2008).

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008
All amounts are 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, but not yet in Effect (Continued)

As of the financial statements issuance date, the following standards, amendments and interpretations were issued by the Board and Committee, but were neither in effect nor officially adopted and translated in the Republic of Serbia for the accounting periods commencing on or after January 1, 2008:

- IAS 1 Presentation of Financial Statements (effective for financial periods starting January 1, 2009);
- IAS 23 Borrowing costs (effective for financial periods starting January 1, 2009);
- IFRS 8 Operating Segments (effective for financial periods starting January 1, 2009);
- IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements (effective for financial periods starting July 1, 2009);
- Amendments to IFRS 2 Share-Based Payment - Vesting Conditions and Cancellations (effective for financial periods starting January 1, 2009);
- Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements (effective for financial periods starting January 1, 2009);
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective for financial periods starting July 1, 2009);
- Amendments to IFRS 1 First-time adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements (effective for financial periods starting January 1, 2009);
- Improvements to International Financial Reporting Standards 2008 (most changes are effective for financial periods starting January 1, 2009);
- IFRIC 15 Agreements for the Construction of Real Estate (effective for financial periods starting January 1, 2009);
- Improvements to IFRS 1 First-time Adoption of International Financial. Reporting Standards (in effect from July 1, 2009);
- IFRIC 17 Distributions of Non-cash Assets to Owners (in effect from July 1, 2009);
- IFRIC 18 Transfers of Assets from Customers (effective for financial periods starting July 1, 2009).

The 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. These accounting policies have been consistently applied to all presented reporting periods.

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

2.4. Going Concern

The Company incurred a net loss of RSD 17,784 thousand, during the year ended December 31, 2008 and, as of that date, the Company’s current liabilities exceeded its current assets by RSD 29,327 thousand. As disclosed in Note 2.4, the majority owner of the Company, Eteria Ellinikon Ksenodohion Lampsa AE, Athens, Greece, committed to provide financial assistance in the period of 12 months from the issuance of these financial statements.

In addition, the majority owner undertook, if necessary, to provide funds which the Company needs to meet its liabilities.

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

2.4. Going Concern (Continued)

In order to absorb the accumulated loss and take preventive measure in respect of the global and financial and economic crisis, the Company’s management undertook to reconstruct 6 floors of the hotel building, restaurant and lobby until the mid 2009. Also, it is planned to decorate the banquet room and take over the Night Club. Other cost management measures, i.e. cost reduction to the minimum, are also planned. Based on the aforementioned, the Company expects to realize sufficient income and cash inflows in the period following the reconstruction and will be able to settle its current liabilities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. 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 in the accounting period when the liability is incurred.

3.2. Foreign Exchange Translation

Transactions denominated in foreign currencies are translated into dinars at the official exchange rates in effect at the date of each transaction. Assets and liabilities denominated in foreign currencies are translated into dinars by applying the official exchange rates prevailing at the balance sheet date. 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.

3.3. Taxes and Contributions

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 that any tax losses of the current period 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.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008
All amounts are expressed in thousands of RSD, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.3. Taxes and Contributions (Continued)

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 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 income taxes are either charged or credited to the Income Statement, except in so far as they relate to items that are directly credited or charged to capital, and in that instance, the deferred taxes are then also recognized under equity.

3.4. Employee Benefits

In accordance with the regulations effective in the Republic of Serbia, the Company has an obligation to pay contributions to various state social security funds. These obligations involve the payment of contributions on behalf of an employee, by the employer in an amount calculated by applying the specific, legally-prescribed rates. The Company is also legally obligated to withhold contributions from gross salaries to employees, and on their behalf to transfer the withheld portions directly to the appropriate government funds. These contributions payable on behalf of the employee and employer are charged to expenses in the period in which they arise.

According to the regulations of the Republic of Serbia, the Company is under obligation to pay to its employees retirement benefits, in consideration of the number of years spent with the Company in the amount of three average salaries which the retiree earned in the month preceding his/her retirement. In the opinion of the Company’s management, the present value of retirement benefits is immaterial for the financial statements taken as a whole and therefore these financial statements do not include the provisions thereof.

3.5. Property and Equipment

An item of property and equipment is initially measured at its cost less any accumulated depreciation and any accumulated impairment losses.

For the purpose of fair value adjustment of its property and equipment, the Company engaged an independent appraiser to value its property and equipment as of February 28, 2008 (ownership transformation date). As a result, the appraisal surplus was recorded within revaluation reserves whereas the appraisal deficit was charged to the income statement. The appraisal of property and equipment was performed by applying the market value method. Selling prices have been determined based on the information available on the market in respect of the purchase and sale transactions as adjusted for any and all relevant departures in respect of the property being compared.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5. Property and Equipment (Continued)

Additions are 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	45 years
Rooms furniture	2 - 5 years
Kitchen furniture and equipment	2 - 5 years
Office furniture	2 - 5 years
Electric appliances and computers	3 - 4 years
Other equipment and furniture	10 years

3.6. Inventories

Material and spare parts are stated at cost, whereas the material produce 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.

3.7. Impairment of Assets

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).

Recoverable amount is the greater of net selling price and value in use. An impairment loss is recognized as an expense of the current period and is recorded within the income statement, unless the respective asset is carried at a revalued amount, in which instance, the impairment loss is treated as a revaluation decrease up to its revalued amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.7. Impairment of Assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 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.

3.8. 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.

Financial Liabilities

Borrowings were presented in the amount of funds disbursed net of transaction costs. Thereafter, these instruments are measured at their amortized values calculated by applying contractual interest rates corresponding to effective interest rate.

Operating Liabilities

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

3.9. 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 a closed shareholding company whose equity or debt instruments are not quoted on the Stock Exchange or any other active market.

4. SUMMARY OF SIGNIFICANT 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 to us, as of the date of preparation of the financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING ESTIMATES (Continued)

4.1. Estimates and Assessments

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.

4.2. 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 life of property, equipment and intangible assets. Once a year, the Company assesses the economic useful life based on the current estimates.

4.3. Impairment of Assets

At each balance sheet date, the Company's management reviews the carrying amounts of the Company's fixed and intangible assets. 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.

4.4. Deferred Tax Assets

Deferred tax assets are recognized for all unused tax credits as arising from capital expenditures, to the extent that it is probable that taxable profit will be available against which these tax credit carryforwards can be utilized. The Company's management needs to make prudent assessments of deferred tax assets which may be recognized, based on the period when these arise and the amount of future taxable income and tax policy planning strategy.

4.5. Allowance for Impairment of Receivables

The Company calculates the allowance for impairment of doubtful receivables based on the estimated losses arising from customer's default. The assessment is based on the aging analysis of accounts receivable, historical write-offs, customer creditworthiness and changes in the terms of payment. This includes the assumptions on the future customer behavior and the resultant future collections.

4.6. Fair Value

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

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008
All amounts are expressed in thousands of RSD, unless otherwise stated.

5. SALES

	Year Ended December 31, 2008	*Not Audited* 2007
Sale of services:		
- accommodation	22,492	24,004
- food	8,227	9,172
- daily rests	1,360	544
- other	2,653	796
	34,732	34,516

6. OTHER OPERATING INCOME

Other operating income presented in the balance sheet for the business 2008 in the amount of RSD 1,299 thousand entirely relate to the lease of hotel salon and three bedrooms occupying the total of 210 m^2 to the natural person Mr. Milojica Đurić.

7. COST OF MATERIALS

	Year Ended December 31, 2008	*Not Audited* 2007
Material		
- food	2,397	2,593
- beverage and other goods for the restaurant	1,394	592
- cleaning and washing material	756	868
Cost of overhead material	427	202
Electricity	2,523	1,416
Coal	935	1,553
Other energy	382	-
	8,814	7,224

8. STAFF COSTS

	Year Ended December 31, 2008	*Not Audited* 2007
Gross salaries	20,083	18,062
Taxes and contributions charged to the employer	3,585	3,241
Author’s fees	555	203
Transport of employees to and from work	656	825
Other staff costs	737	261
	25,616	22,592

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008
All amounts are expressed in thousands of RSD, unless otherwise stated.

9. OTHER OPERATING EXPENSES

	Year Ended December 31, 2008	*Not Audited* 2007
Telecommunications	317	320
Maintenance	534	690
Marketing and advertizing	60	87
City sanitation	286	279
Water charges	814	1,162
Non-production services	1,077	775
Sanitation	356	-
Security	964	-
Rubble disposal	138	-
Cost of legal, accounting, lawyer and brokerage services	2,216	418
Entertainment	203	83
Insurance premiums	162	80
Bank charges	310	243
Membership fees	26	36
Indirect taxes and contributions	418	388
Fees for the use of city construction land	1,600	1,587
Other non-material expenses	424	518
	9,905	6,666

10. FINANCE INCOME

	Year Ended December 31, 2008	*Not Audited* 2007
Interest income	187	-
Foreign exchange gains	56	68
	243	68

11. FINANCE EXPENSES

	Year Ended December 31, 2008	*Not Audited* 2007
Interest expenses	1,868	36
Foreign exchange losses	2	43
	1,870	79

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2008
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11. FINANCE EXPENSES (Continued)

Interest expenses for the year ended December 31, 2008 in amount of RSD 1,868 thousand primarily, in the amount of RSD 1,766 thousand, relate to interest accrued on a short-term loan.

12. OTHER EXPENSES

	Year Ended December 31, 2008	*Not Audited* 2007
Write-off of receivables	7	-
Litigations	1,200	-
Impairment of property, plant and equipment	1,429	-
Impairment of receivables	387	348
Other not mentioned expenses	625	-
	3,648	348

13. INCOME TAXES

a) Components of Income Taxes

	Year Ended December 31, 2008	*Not Audited* 2007
Current income tax expense	-	-
Deferred income tax income	3,312	-
	3,312	-

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

	Year Ended December 31, 2008
Loss before tax	(21,096)
Income tax at the statutory tax rate of 10%	(2,110)
Effect of expenses that are not deductible in determining taxable profit	(135)
Utilized tax loss carryforwards	(1,317)
Other	250
Total income taxes	(3,312)
Efective tax rate	15.70%

NOTES TO THE FINANCIAL STATEMENTS
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13. INCOME TAXES (Continued)

c) Deferred tax assets and liabilities

	December 31, 2008
Deferred tax assets	
Tax loss carryforwards	3,177
Tax credit carryforwards	135
	3,312
Deferred tax liabilities	
Temporary differences on property and equipment	(54,063)
Net	(50,751)

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

Origination Year	Expiration Year	Tax Losses	Tax Credits	Total
2003	2013	102	-	102
2004	2014	228	-	228
2005	2015	193	-	193
2006	2016	501	-	501
2007	2017	293	-	293
2008	2018	1,860	135	1,995
		3,177	135	3,312

NOTES TO THE FINANCIAL STATEMENTS
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14. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Land	Buildings	Equipment	Construction in progress	Total PP&E	Intangible assets
Cost						
Balance at January 1, 2007	235	82,021	6,034	3,410	91,700	155
Disposal	-	(1,116)	(69)	(3,410)	(4,595)	-
Balance at December 31, 2007	235	80,905	5,965	-	87,105	155
Balance at January 1, 2008	235	80,905	5,965	-	87,105	155
Appraisal records:	-	-	-	-	-	-
- appraisal surplus	200,551	340,082	-	-	540,633	-
- appraisal deficit		-	(1,429)	-	(1,429)	-
Additions	-	173	-	13,028	13,201	-
Balance at December 31, 2008	200,786	421,160	4,536	13,028	639,510	155
Accumulated Depreciation and Amortization						
Balance at January 1, 2007	-	10,653	3,719	-	14,372	155
Charge for the year	-	744	509	-	1,253	-
Disposal	-	(1,116)	(69)	-	(1,185)	-
Other decreases	-	-	(823)	-	(823)	-
Balance at December 31, 2007	-	10,281	3,336	-	13,617	155
Balance at January 1, 2008	-	10,281	3,336	-	13,617	155
Charge for the year	-	7,727	264	-	7,991	-
Other decreases	-	-	2	-	2	-
Balance at December 31, 2008	-	18,008	3,602	-	21,610	155
Net Book Value						
December 31, 2008	200,786	403,152	934	13,028	617,900	-
December 31, 2007	235	70,624	2,629	-	73,488	-

On February 28, 2008, the Company appraised its fixed assets. Based on the report prepared by the independent appraiser, the appraisal surplus of RSD 540,633 thousand was credited to revaluation reserves while the appraisal deficit identified in equipment of RSD 1,429 thousand was charged to the expenses of the current period (Note 12).

15. INVENTORIES

	December 31, 2008	*Not Audited* December 31, 2007
Material	418	548
Tools and inventory	1,610	835
	2,028	1,383
Advances to suppliers	248	-
Allowance for impairment of material	(1,546)	(815)
	730	568

NOTES TO THE FINANCIAL STATEMENTS
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16. ACCOUNTS RECEIVABLE

	December 31, 2008	*Not Audited* December 31, 2007
Domestic accounts receivable	2,185	4,425
Foreign accounts receivable	25	8
Receivables from employees	20	10
Other receivables	94	58
	2,324	4,501
Allowance for impairment	(1,982)	(1,927)
	342	2,574

17. CASH AND CASH EQUIVALENTS

	December 31, 2008	*Not Audited* December 31, 2007
Dinar account	1,259	174
Foreign currency accounts	217	42
Other	21	126
	1,497	342

18. VALUE ADDED TAX AND PREPAYMENTS

	December 31, 2008	*Not Audited* December 31, 2007
Value added tax receivables	292	112
Accruals	233	58
	525	170

19. SHARE CAPITAL

On February 27, 2008, 70% of socially-owned capital in the entity Eteria Ellinikon Ksenodohion Lampsa AE, Athens Greece was sold.

On March 14, 2008, the Privatization Agency issued a Decision on share transfer free of charge to employees and former employees in the amount of the remaining 30% share capital.

Pursuant to the Decision issued by the Company’s Assembly on April 4, 2008 regarding the change in the organization form, the socially-owned company was transformed into a shareholding company. The aforementioned ownership transformation was registered with the Serbian Business Registers Agency on April 23, 2008.

NOTES TO THE FINANCIAL STATEMENTS
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19. SHARE CAPITAL (Continued)

Total registered share capital comprises 75,179 common shares with the individual par value of RSD 1,000.00.

Based on the Decision on the issuance of common shares whereby the Company’s share capital increased so as to comply with its commitments to invest, a number of 2,132 shares were issued in the individual par value of RSD 1000.00. Namely, subject to Item 6.1.1. of the Agreement on the Acquisition of Socially-Owned Capital via public auction, the Purchaser committed to invest in the Company’s equipment the total of RSD 2,132 thousand within 12 months. The investment was effectuated as an increase in the core capital. The Company registered the aforementioned changes with the Serbian Business Registers Agency on October 10, 2008.

The Company’s shareholding structure, as presented in the Company’s books of account at December 31, 2008 was as follows:

	Number of Common Shares	December 31, 2008	Share in %
Lampsa AE, Athens, Greece	54,757	54,757	70.79
Other shareholders – private individuals	22,554	22,554	29.21
	77,311	77,311	100.00

20. SHORT-TERM FINANCIAL LIABILITIES

	Origination Date	Interest	December 31, 2008	December 31, 2007
Vojvodjanska banka a.d., Novi Sad	April 23, 2008	Belibor + 2.5%	7,800	-
Vojvodjanska banka a.d., Novi Sad	June 27, 2008	Belibor + 2%	16,400	-
			24,200	-

Short-term borrowings stated as of December 3, 2008 in the aggregate amount of RSD 24,200 thousand were approved in the name of hotel sanation and renovation and for liquidity purposes. Pursuant to the respective Loan Agreement, during the year, the Company pays only interest accrued on the borrowing, whereas the principal is to be settled once the borrowings have matured in full. As collateral for the loan repayment, the Company provided bills of exchange.

NOTES TO THE FINANCIAL STATEMENTS
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21. ACCOUNTS PAYABLE

	December 31, 2008	*Not Audited* December 31, 2007
Advances from customers	271	-
Domestic accounts payable	4,741	6,669
	5,012	6,669

Domestic accounts payable presented as of December 31, 2008 in the amount of RSD 4,741 thousand are mostly, in the amount of RSD 1,517 thousand, owed to Juneks d.o.o., Beograd based on consulting services rendered in resect of hotel design and renovation.

22. THER CURRENT LIABILITIES AND ACCRUALS

	December 31, 2008	*Not Audited* December 31, 2007
Net salaries payable	-	2,109
Taxes and contributions to salaries	-	1,039
Net refundable benefits to salaries	44	30
Refundable taxes and contributions to salaries	27	21
Other liabilities	63	145
Accrued expenses:		
- litigations and lawyer fees	1,600	-
- Interest	281	-
- public utilities	603	-
- other	591	-
	3,209	3,344

Accrued costs of litigations and lawyer fees stated as of December 31, 2008 in the amount of RSD 1,600 thousand mostly relate to a legal suit with a former employee based on the salaries delayed in the amount of RSD 1,200 thousand, including the accrued interest. The aforementioned liabilities were settled in January 2009.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Equity Risk Management

There is no legal framework for managing equity risk in the Company. The Company considers equity risk in order to diminish it and under the assumption that the Company will be able to continue its business operations in the foreseeable future, maximizing profits to the owners b optimizing the debt to equity ratio. The structure of the Company’s capital includes debts, including long-term borrowings explained in Note 20, cash and cash equivalents and equity attributed to owners which entails share capital, other capital, reserves, as well as accumulated loss.

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

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Equity Risk Management (Continued)

The persons controlling finances on the Company level review the equity structure on annual basis. As a part of such review, the Company takes into consideration the price of equity and risk related to the different types of equity.

The debt to equity ratios of the Company as of the year end were as follows:

	December 31, 2008	*Not Audited* December 31, 2007
Indebtedness a)	24,200	-
Cash and cash equivalents	1,497	342
Net indebtedness	22,703	342
Equity b)	537,822	66,906
Debt to equity ratio	0.04	0.01

a) Debt is related to short-term borrowings.

б) Equity includes share capital, reserves, as well as accumulated loss.

Significant Accounting Policies Regarding Financial Instruments

The review of significant accounting policies, including the basis for measurement and recognition of income and expenses for each category of financial assets and financial liabilities, are set out in Note 3 to the financial statements.

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

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Categories of Financial Instruments

	December 31, 2008	*Not Audited* December 31, 2007
Financial assets		
Accounts receivable	228	2,511
Cash and cash equivalents	1,497	342
	1,725	2,853
Financial liabilities		
Short-term borrowings	24,200	-
Accounts payable	5,935	6,669
	30,135	6,669

The Company’s basic financial instruments comprise cash and cash equivalents, receivables, financial placements related to the Company’s business operations, as well as short-term borrowings, accounts payable and other liabilities mainly intended to finance the Company’s current operations. In the regular course of business, the Company is exposed to the risk enumerated in the following passages.

Objectives of Financial Risk Management

Financial risks include market risk (foreign currency and interest rate risk), credit risk and liquidity risk. Financial risks are considered on time basis and are primarily mitigated by reducing the Company’s exposure to these risks. The Company does not make use of any financial instruments as a hedge against the effects of financial risks on business operations because such instruments are neither widely used, 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 inherent in foreign currency and interest rate changes.

The exposure to the market risk is measured by means of the sensitivity analysis. There were neither significant changes in the exposure of the Company to the market risk, nor in the manner in which the Company manages or measures that risk.

Interest Rate Risk

The Company is exposed to interest rate risk inherent in assets and liabilities with floating interest rate. This risk depends upon the financial market and the Company does not have any instruments that could alleviate its influence.

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

23. 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 are presented in the following table:

	December 31, 2008	*Not Audited* December 31, 2007
Financial Assets		
Non-interest bearing		
Accounts receivable	228	2,511
Cash and cash equivalents	1,497	342
	1,725	2,853
Financial liabilities		
Non-interest bearing		
Accounts payable	5,935	6,669
Variable interest rates		
Short-term borrowings	24,200	-
	30,135	6,669

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 the 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 the interest rate been 1 percentage point higher/lower and other variables remained unchanged, the Company would have incurred a loss/profit in the year ended December 31, 2008 in the amount of RSD 242 thousand. Such situation is attributed to the Company’s exposure arising from the variable interest rates applied to short-term borrowings.

Credit Risk

Managing Accounts Receivable

Credit risk relates to the exposure inherent in the possibility that the contractual party fails to act upon its contractual commitments and cause the Company to suffer loss. The Company’s exposure to this risk is limited to the amount of accounts receivable as of the balance sheet date.

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

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Credit Risk (Continued)

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

	Gross Exposure	Allowance for Impairment	Net Exposure
Accounts receivable, not matured	228	-	228
Accounts receivable matured and provided for	1,982	(1,982)	-
	2,210	(1,982)	228

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

			Not Audited
	Gross Exposure	Allowance for Impairment	Net Exposure
Accounts receivable, not matured	2,451	-	2,451
Accounts receivable matured and provided for	1,927	(1,927)	-
Accounts receivable matured, but not provided for	55	-	55
	4,433	(1,927)	2,506

Accounts Receivable, not Matured

Accounts receivable, not matured as of December 31, 2008 in the amount of RSD 228 thousand (December 31, 2007: RSD 2,451 thousand) mostly refer the accounts receivable arising from the hotel accommodation services. All these receivables mature in the following period, depending on the maturities agreed upon. The average days’ sales outstanding in 2008 counted 15 days (2007: 60 days).

Accounts Receivable Matured and Provided for

In the previous periods, the Company calculated an allowance for impairment of matured receivables in the amount of RSD 1,982 thousand (December 31, 2007: RSD 1,927 thousand) due from those customers whose creditworthiness has changed and which will not be collected in full.

Accounts Receivable Matured, but not Provided for

The Company had no matured and not provided for receivables at December 31, 2008 whereas at December 31, 2007, the Company disclosed RSD 55 thousand. In 2008, a change has been identified in customer creditworthiness, and therefore the Company’s management formed an allowance for impairment for the aforementioned amount of receivables.

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23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Credit Risk (Continued)

Managing Accounts Payable

Accounts payable as of December 31, 2008 were stated in the amount of RSD 4,741 thousand (December 31, 2007: RSD 6,669 thousand) where the major portion is associated with payables towards public enterprises. These suppliers charge penalty against matured liabilities, whereas the Company duly settles accounts payable, as in accordance with financial risk management policies.

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 matching the maturities of financial assets and liabilities.

Tables of Liquidity and Credit Risk

The following tables give the details of outstanding contractual maturities of assets of the Company. The amounts presented are based on the undiscounted cash flows arising from financial assets based on the earliest date upon which the Company will be able to collect such receivables.

Maturities of Financial Assets

December 31, 2008

	Less than One Month	From 1 to 3 Months	From 3 Months to 1 year	From 1 to 5 Years	Over 5 Years	Total
Non-interest bearing	228	-	-	-	-	228
	228	-	-	-	-	228

Not Audited
December 31, 2007

	Less than One Month	From 1 to 3 Months	From 3 Months to 1 year	From 1 to 5 Years	Over 5 Years	Total
Non-interest bearing	2,506	-	-	-	-	2,506
	25,06	-	-	-	-	2,506

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23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Liquidity Risk (Continued)

Maturities of Financial Liabilities

The following tables give the details of outstanding contractual liabilities of the Company. The amounts presented are based on the undiscounted cash flows arising from financial liabilities based on the earliest date upon which the Company will be due to settle such payables.

						December 31, 2008
	Less than One Month	From 1 to 3 Months	From 3 Months to 1 year	From 1 to 5 Years	Over 5 Years	Total
Non-interest bearing	5,935	-	-	-	-	5,935
Variable interest rate						
- principal	-	-	24,200	-	-	24,200
- Interest	-	-	2,904	-	-	2,904
	-	-	27,104	-	-	27,104
	5,935	-	27,104	-	-	33,039

						Not Audited December 31, 2007
	Less than One Month	From 1 to 3 Months	From 3 Months to 1 year	From 1 to 5 Years	Over 5 Years	Total
Non-interest bearing	6,669	-	-	-	-	6,669
	6,669	-	-	-	-	6,669

Fair Value of Financial Instruments

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

	December 31, 2008		*Not Audited* December 31, 2007	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Short-term financial placements and borrowings	-	-	5	5
	228	228	2,506	2,506
Cash and cash equivalents	1,497	1,497	342	342
	1,725	1,725	2,853	2,853
Financial Liabilities				
Short-term borrowings	24,200	24,200	-	-
Account Payable	5,935	5,935	6,669	6,669
	30,135	30,135	6,669	6,669

NOTES TO THE FINANCIAL STATEMENTS
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23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Fair Value of Financial Instruments (Continued)

Assumptions for the Assessment of Financial Instruments' Fair Value

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.

24. CONTINGENT LIABILITIES

Land and building property stated as of December 31, 2008 in the amount of RSD 603,938 thousand are in the Company's ownership based on denationalization of property performed in an earlier period. Pursuant to the Agreement on the Acquisition of Socially-Owned Capital executed with the Serbian Business Registers Agency, the majority owner is also aware that the Company's assets include nationalized property and agrees to handle such property pursuant to the relevant law. Until the issuance of these financial statements, laws and other formal acts regulating this sphere had not yet been enacted. The Company's management judges that the Company will not suffer adverse effects arising from the issue of regulating nationalized property and will not be required to make payments in this respect.

25. LITIGATIONS

As of December 31, 2008, the Company, as the member of the Hotel Company "Unija" was named a defendant in the litigation filed by HUP "Balkan," Dimitrovgrad associated with ownership titles to a motel. The Company's management did not form provisions based on the aforementioned legal suit, as the Company's management assesses that the Company will not be exposed to potential losses in the forthcoming period.

In addition, at December 31, 2008, the worth of litigations filed by the Company against third parties amounted to RSD 2,710 thousand and pertains to receivables for hotel services rendered and business offences.

26. EXCHANGE RATES

The official exchange rates for major currencies used in the translation of balance sheet components denominated in foreign currencies, into RSD were as follows:

	December 31, 2008	December 31, 2007
EUR	88.601	79.2362
USD	62.900	53.7267