EXCELSIOR A.D., BEOGRAD

Financial Statements
Year Ended December 31, 2015 and
Independent Auditors' Report

Translation of the Auditors' Report issued in the Serbian language

CONTENTS

Translation of the Auditors' Report issued in the Serbian language

INDEPENDENT AUDITORS' REPORT

To the Owner of EXCELSIOR A.D., BEOGRAD

We have audited the accompanying financial statements (pages 3 to 33) of EXCELSIOR a.d., Beograd the "Company"), which comprise the balance sheet as of as at December 31, 2015, and the related income statement, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of EXCELSIOR a.d., Beograd, as of December 31, 2015, and its financial performance and cash flows for the year then ended in accordance with the accounting regulations of the Republic of Serbia.

Emphasis of Matter

We draw attention to the fact that the accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As disclosed in note 2.7 to the financial statements, the Company's current liabilities as of December 31, 2015 exceeded its current assets by RSD 17,543 thousand, whereas its cash outflows from overall activities exceeded the inflows by RSD 565 thousand. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. The accompanying financial statements do not include any adjustments that might arise from resolving the aforesaid uncertainty. Our opinion is not modified in respect of this matter.

(Continued)

Translation of the Auditors' Report issued in the Serbian language

INDEPENDENT AUDITORS' REPORT

To the Owner of EXCELSIOR A.D., BEOGRAD

Report on Other Regulatory Requirements

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

Belgrade, March 31, 2016

Žarko Mijović
Certified Auditor

INCOME STATEMENT
Year Ended December 31, 2015
(Thousands of RSD)

	Note	2015	2014
OPERATING INCOME			
Sales revenues	5	130,069	126,943
Other operating income	6	1,906	1,819
		131,975	128,762
OPERATING EXPENSES			
Cost of materials	7	12,074	11,146
Cost of fuel and energy	8	6,795	6,169
Staff costs	9	21,939	16,853
Cost of production services	10	9,418	8,702
Depreciation, amortization and provisions	11	24,766	24,251
Non-material costs	12	22,921	24,447
		97,913	91,568
PROFIT FROM OPERATIONS		34,062	37,194
Finance income	13	4,537	1,765
Finance expenses	13	13,928	24,589
Other income	14	36	1,314
Other expenses	15	44	577
PROFIT FROM CONTINUING OPERATIONS BEFORE TAXES		24,663	15,107
INCOME TAXES	16		
Current income tax expense		(5,745)	(1,629)
Deferred tax benefit/(expense)		2,027	(773)
NET PROFIT		20,945	12,705

Translation of the Auditors' Report issued in the Serbian language

STATEMENT OF OTHER COMPREHENSIVE INCOME
Year Ended December 31, 2015
(Thousands of RSD)

	2015	2014
NET OPERATING RESULT		
NET PROFIT FOR THE YEAR	20,945	12,705
OTHER COMPREHENSIVE INCOME	-	-
a) Items that will not subsequently be reclassified to the income statement	-	-
1. Gains/losses on revaluation of intangible assets, property, plant and equipment	-	-
2. Actuarial gains/losses based on defined benefit plans	-	-
3. Gains/losses on investments in equity instruments	-	-
4. Gains/losses from the share in the other comprehensive income of associates	-	-
b) Items that may subsequently be reclassified to the income statement	-	-
1. Foreign exchange gains/losses on translation of foreign operations	-	-
2. Gains/losses on hedging instruments designated in hedges of the net assets of foreign operations	-	-
3. Gains/losses on hedging instruments designated in hedges of the cash flows	-	-
4. Gains/losses on securities available for sale	-	-
TOTAL POSITIVE COMPREHENSIVE INCOME FOR THE YEAR, NET	20,945	12,705

BALANCE SHEET
As at December 31, 2015
(Thousands of RSD)

	Note	December 31, 2015	December 31, 2014
ASSETS			
Non-current assets			
Intangible assets	17	668	770
Property, plant and equipment	17	756,699	779,825
Other long-term financial investments	18	32,109	21,772
		789,476	802,367
Current assets			
Inventories	19	2,912	799
Trade receivable	20	4,834	1,956
Other receivables	21	422	957
Cash and cash equivalents	22	15,661	16,338
Value added tax	23	5,558	13,562
Prepayments		577	418
		29,964	34,030
Total assets		819,440	836,397
EQUITY AND LIABILITIES			
Equity and reserves			
share capital	24	77,311	77,311
Revaluation reserves	24	456,877	456,877
Retained earnings		71,518	50,573
Loss		(41,688)	(41,688)
		564,018	543,073
Long-term provisions and liabilities			
Long-term provisions	25	1,720	1,720
Long-term borrowings	26	137,256	176,624
		138,976	178,344
Current liabilities			
Short-term financial liabilities	26	40,343	40,122
Advances and deposits received		427	167
Trade payables	27	3,827	3,638
Other current liabilities		771	86
Income taxes payable		2,139	-
		47,507	44,013
Deferred tax liabilities	16 c	68,939	70,967
Total equity and liabilities		819,440	836,397

STATEMENT OF CHANGES IN EQUITY
Year Ended December 31, 2015
(Thousands of RSD)

	Share capital	Revaluation Reserves	Retained Earnings	Loss	Total
Balance, January 1, 2014	77,312	456,877	37,867	(41,688)	530,368
Profit for the year	-	-	12,705	-	12,705
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	12,705	-	12,705
Balance, December 31, 2014	77,312	456,877	50,572	(41,688)	543,073
Balance, January 1, 2015	77,312	456,877	50,572	(41,688)	543,073
Transfers	(1)	-	1	-	-
Profit for the year	-	-	20,945	-	20,945
Other comprehensive income	-	-	-	-	-
Total comprehensive income	-	-	20,945	-	20,945
Balance, December 31, 2015	77,311	456,877	71,518	(41,688)	564,018

CASH FLOW STATEMENT
Year Ended December 31, 2015
(Thousands of RSD)

	2015	2014
Cash flows from operating activities		
Cash receipts from customers	149,344	141,271
Interest received	1,016	641
Other receipts from operations	945	1,529
Cash paid to suppliers	(63,663)	(57,901)
Cash paid to and on behalf of employees	(15,169)	(16,767)
Interest paid	(9,783)	(11,937)
Income taxes paid	(3,329)	(3,356)
Other public duties paid	(8,565)	(2,470)
Net cash generated by operating activities	50,796	51,010
Cash flows from investing activities		
Purchase of property, plant and equipment	(969)	(26,424)
Other financial investments (net outflows)	(10,337)	(6,640)
Net cash used in investing activities	(11,306)	(33,064)
Cash flows from financing activities		
Long-term and short-term borrowings (net outflows)	(40,055)	(23,723)
Net cash used in financing activities	(40,055)	(23,723)
Net decrease in cash and cash equivalents	(565)	(5,777)
Cash and cash equivalents, beginning of year	16,338	22,297
Foreign exchange losses on translation of cash	(112)	(182)
Cash and cash equivalents, end of year	15,661	16,338

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
All amounts expressed in thousands of RSD, unless otherwise stated.

1. FOUNDATION AND ACTIVITY

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

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

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

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

As of December 31, 2015, the Company had 21 employees (December 31, 2014: 18 employees).

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

2.1. Basis of Preparation and Presentation of Financial Statements

Legal entities and entrepreneurs incorporated in Serbia are required to maintain their books of account, to recognize and value assets and liabilities, income and expenses, and to present, submit and disclose financial statements in conformity the Law on Accounting (hereinafter referred as: the “Law”, Official Gazette of the Republic of Serbia no. 63/2013) and other effective bylaws and regulations. As a medium-sized legal entity, the Company has elected to apply the International Financial Reporting Standards (“IFRS”), which as per the aforementioned Law comprise the following: the Framework for the Preparation and Presentation of Financial Statements (the “Framework”), International Accounting Standards (“IAS”), International Financial Reporting Standards (“IFRS”), as well as the related interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and additional related interpretations issued by International Accounting Standards Board (“IASB”), the translations of which to the Serbian language were approved and issued by the competent Ministry of Finance.

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

However, until the preparation date of the accompanying financial statements, not all amendments to IAS/IFRS and IFRIC in effect for annual periods beginning on or after January 1, 2014 had been translated. In addition, certain laws and bylaws stipulate accounting procedures, measurement and disclosures, which in certain instances depart from the requirements of IAS/IFRS and IFRIC interpretations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.3. Standards and Interpretations Issued in the Previous and Current Periods but not yet Translated and Adopted

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

- Amendments to IAS 32 "Financial Instruments: Presentation" – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1, 2014).

- Amendments to IFRS 10 "Consolidated Financial Statements," IFRS 12 "Disclosures of Involvement with Other Entities" and IAS 27 "Separate Financial Statements" - Exemption from Consolidation of Subsidiaries under IFRS 10 'Consolidated Financial Statements (effective for annual periods beginning on or after January 1, 2014);

- Amendments to IAS 36 "Impairment of Assets" - Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after January 1, 2014);

- Amendments to IAS 39 "Financial Instruments:" Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after January 1, 2014);

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

- Amendments to IAS 19 "Employee Benefits" – Defined Benefit Plans: Employee Contributions (effective for annual periods beginning on or after January 1, 2014);

- Amendments resulting from Annual Improvements 2010-2012 Cycle issued in December 2013 (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after July 1, 2014); and

- Amendments resulting from Annual Improvements 2011-2013 Cycle issued in December 2013 (IFRS 1, IFRS 3, IFRS 13 and IAS 40) with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after July 1, 2014).

2.4. Standards and Interpretations in Issue not yet in Effect

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

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

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

2.4. Standards and Interpretations in Issue not yet in Effect (Continued)

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

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

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

- IFRS 15 "Revenue from Contracts with Customers," defining the framework for revenue recognition. IFRS 15 supplants IAS 18 "Revenue," IAS 11 "Construction Contracts," IFRIC 13 "Customer Loyalty Programs," IFRIC 15 "Agreements for the Construction of Real Estate" and IFRIC 18 "Transfers of Assets from Customers." IFRS 15 shall be effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

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

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

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

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

- Amendments to IFRS 10, IFRS 12 and IFRS 28 „Investment Entities: Applying the Consolidation Exception". These amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. Consequential amendments have also been made to IAS 28 to clarify that the exemption from applying the equity method is also applicable to an investor in an associate or joint venture if that investor is a subsidiary of an investment entity that measures all its subsidiaries at fair value. (These amendments shall be applied retrospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted).

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

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

2.5. Use of Estimates

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

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

2.5.1. Depreciation and Amortization Charge and Rates Applied

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

2.5.2. Impairment Allowance of Receivables

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

2.6. Fair Value

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

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

2.7. Going Concern

As of December 31, 2015, the Company's current liabilities exceeded its current assets by RSD 17,543 thousand, whereas its cash outflows from overall activities exceeded the inflows by RSD 565 thousand.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1. Foreign Currency Translation

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

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

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

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

3.2. Financial Instruments

Classification

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

Loans and Receivables

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

Receivables comprise domestic and foreign trade receivables and other receivables.

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

Cash and Cash Equivalents

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

Financial Assets Held to Maturity

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Financial Instruments (Continued)

Recognition of Financial Assets

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

Measurement of Financial Assets

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

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

Derecognition of Financial Assets

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

Amortized Cost Measurement

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

Fair Value Measurement

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

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

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

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

Impairment of Financial Assets

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2. Financial Instruments (Continued)

Impairment of Financial Assets (Continued)

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

Financial Liabilities

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

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

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

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

Trade Payables

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

3.3. Intangible Assets

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

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

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

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

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

Accordingly, in conformity with provisions of IAS 38, management reviewed the useful lives of intangible assets at year-end 2015 and concluded that the useful lives of intangible assets were realistically determined. The amortization rate applied equals 10%.

Such reassessment of the useful life of intangible assets had no effect on the prior periods as its application is not retrospective.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.4. Property and Equipment

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

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

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

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

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

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

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

Assets	**Useful life (years) 2015**	**Useful life (years) 2014**
Buildings	33	33
Computer equipment	4.16	4.16
Motor vehicles	6.6	6.6
Furniture and other equipment	6.6	6.6

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

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

Accordingly, in conformity with provisions of IAS 16, management reviewed the useful lives of property and equipment at year-end 2015 and concluded that the useful lives of such assets were realistically determined.

Such reassessment of the useful life of property and equipment had no effect on the prior periods as its application is not retrospective.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.5. Inventories

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

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

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

3.6. Employee Benefits

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

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

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

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

In the Company's assessment, the amount of liabilities for retirement benefits as of December 31, 2015 was immaterial. Accordingly, the Company did not provide for the aforesaid liabilities as at the reporting date.

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

The Company does not have defined benefit plans or share-based remuneration options and there are no identified liabilities thereof as of December 31, 2015.

Short-Term Compensated Absences

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

In the Company's assessment, the amount of liabilities for unused annual leaves as of December 31, 2015 was immaterial. Accordingly, the Company did not provide for the aforesaid liabilities as at the reporting date.

3.7. Provisions

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.8. Equity

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

3.9. Prihodi

Sales of Products and Services

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

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

Finance Income

Interest income is recognized on an accrual basis in the income statement of the period it relates to.

Other Income

Other income includes: recovery of written off receivables, correction of immaterial errors from the previous year and other income.

3.10. Expenses

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

Operating Expenses

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

Finance Expenses

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

Other Expenses

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

3.11. Income Taxes

Current Income Tax

Current income tax is payable at the legally prescribed rate of 15% (2014: 15%) on the tax base determined within the tax statement and reported in the annual corporate income tax return. The taxable base stated in the income tax return includes the profit before taxation shown in the statutory statement of income, as adjusted for differences that are specifically defined under statutory tax rules of the Republic of Serbia, less any prescribed tax credits.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.11. Income Taxes (Continued)

Current Income Tax (Continued)

The Corporate Income Tax Law of the Republic of Serbia does not envisage that any tax losses of the current period be used to recover taxes paid within a specific carryback period. However, current period tax losses may be used to reduce or eliminate taxes to be paid in future periods for duration of no longer than five ensuing years. Tax losses incurred before January 1, 2010 are available for carryforward for duration of ten ensuing years.

Deferred Income Taxes

Deferred income taxes are provided using the balance sheet liability method, for temporary differences arising between the tax bases of assets and liabilities and their carrying values in the financial statements. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences and tax credits and losses available for carryforward, to the extent that it is probable that taxable profit will be available, against which the deductible temporary differences and the tax loss/credits of the carryforwards can be utilized.

Deferred tax assets and liabilities are determined at the tax rate expected to be applied in the period of the relevant asset realization/liability settlement. As at December 31, 2015, deferred tax assets and liabilities were provided at the rate of 15% (December 31, 2014: 15%).

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

3.12. Earnings per Share

Net profit for the year 2015 amounted to RSD 20,945 thousand and the number of ordinary shares outstnding is 77,311, which means that basic and diluted earnings per share amounted to RSD 270.9.

4. FINANCIAL RISK MANAGEMENT

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

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

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

4.1. Market Risk

(a) Foreign Currency Risk

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

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

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1. Market Risk (Continued)

(a) Foreign Currency Risk (Continued)

The following table provides the details on the Company's currency risk exposures as of December 31, 2015 and 2014:

	December 31, 2015	December 31, 2014
	Assets	
EUR	44,551	29,054
Total:	44,551	29,054
	Liabilities	
EUR	177,828	216,746
Total:	177,828	216,746
Net foreign currency position:	**(133,277)**	**(187,692)**

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

	December 31, 2015		December 31, 2014	
	+10%	**-10%**	**+10%**	**-10%**
(Loss)/profit	(13,328)	13,328	(18,769)	18,769

(b) Interest Rate Risk

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

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

	2015	2014
Instruments at variable interesst rates		
Financial assets	32,109	21,772
Financial liabilities	(177,599)	(216,746)
	(145,490)	(194,974)

Given the fact that the Company is not in possession of significant interest-bearing assets, the Company's income and cash flows are largeley dependent of the changes in the market interest rates. The Company's interest rate risk exposure is primarily a result of the liabilities for the long-term borrowings obtained from a bank. The loan was approved at variable interest rate and exposes the Company to the cash flow interest rate risk. In 2015, the liabilities per the aforesaid loan had varaible interest rates index-linked to EURIBOR.

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

4. FINANCIAL RISK MANAGEMENT (Continued)

4.1. Market Risk (Continued)

(b) Interest Rate Risk (Continued)

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

The sensitivity analysis presented in the following text has been established based on the Company's exposure to interest rate risk inherent in non-derivative instruments as of the balance sheet date. For liabilities with variable interest rate, the analysis has been prepared under the assumption that the outstanding balance of assets and liabilities as of the balance sheet date remained constant throughout the year. The increase or decrease in interest rates of 1 percentage point represents the fluctuation reasonably anticipated by the management. Had interest rate been 1 percentage point higher/lower and all the other variables remained unchanged, the Company would have incurred an operating loss / realized profit of RSD 145 thousand for the year ended December 31, 2015 (December 31, 2014: RSD 195 thousand). Such situation is attributed to the Company's exposure based on the variable interest rates applied to long-term borrowings and other long-term liabilities.

4.2. Liquidity Risk

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

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

The Company obtains funding through short-term and long-term borrowngs.

The following table presents the maturities of financial assets and liabilities based on non-discounted cash flows, per maturity outstanding as at December 31, 2015:

	Within 3 Months	From 3 Months to 1 Year	From 1 to 5 Years	Over 5 Years	Total
Cash and cash equivalents	15,661	-	-	-	15,661
Trade receivables	4,834	-	-	-	4,834
Long-term investments	-	-	32,109	-	32,109
Total	20,495	-	32,109	-	52,604
Short-term financial liabilities	-	40,343	-	-	40,343
Trade payables	3,634	-	-	-	3,634
Long-term financial liabilities	-	-	137,256	-	137,256
Total	3,634	40,343	137,256	-	181,233
Liquidity gap, at December 31, 2015	16,861	(40,343)	(105,147)	-	(128,629)

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

4. FINANCIAL RISK MANAGEMENT (Continued)

4.2. Liquidity Risk (Continued)

The following table presents the maturities of financial assets and liabilities based on non-discounted cash flows, per maturity outstanding as at December 31, 2014:

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

4.3. Credit Risk

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

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

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

As of December 31, 2015, the Company was in possession of cash and cash equivalents totaling RSD 15,661 thousand (December 31, 2014: RSD 16,338 thousand), which, in the assessment of the management, represents the maximum credit risk exposure per these financial assets.

Trade Receivables

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

	2015	2014
Domestic trade recievables	1,501	488
Foreign trade recievables	3,333	1,468
	4,834	1,956

The most significant customers are presented in the following table:

	December 31, 2015	December 31, 2014
Gullivers Travel Associates	2,711	417
Tobais Doering Viking Catering a.g.	-	445
AKTOR A.T.E, Branch Office	-	336
JacTravel Limited	509	329
OSCE, Belgrade	607	-
Other customers	1,007	429
	4,834	1,956

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

4. FINANCIAL RISK MANAGEMENT (Continued)

4.3. Credit Risk (Continued)

Impairment Allowance

The aging structure of receivables is povided in the table below:

	Gross 2015	Impairment Allowance 2015	Gross 2014	Impairment Allowance 2014
Receivables not matured	4,834	-	1,956	-
From 0 to 30 days past-due	-	-	-	-
From 31 to 60 days past-due	-	-	-	-
From 61 to 90 days past-due	-	-	-	-
From 91 to 120 days past-due	-	-	-	-
From 121 to 360 days past-due	-	-	-	-
Over 360 days past-due	-	-	-	-
	4,834	-	1,956	-

Trade receivables not matures totaling RSD 4,834 thousand as of December 31, 2015 (December 31, 2014: RSD 1,956 thousand) mostly relate to the receivables from sales. These receivables mature within 60 days from the invoice date, depending on the agreed terms of payment. The average days sales outstanding counted 9 days in the course of 2015 (2014: 6 days).

4.4. Capital Risk Management

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

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

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

The gearing ratios of the Company as of December 31, 2015 and 2014 were as follows:

	2015	2014
Debt *	177,599	216,746
Cash and cash equivalents	(15,661)	(16,338)
Net debt**	161,938	200,408
Total equity ***	564,018	543,073
Debt to equity ratio ******	**0.29**	**0.37**

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

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
All amounts expressed in thousands of RSD, unless otherwise stated.

4. FINANCIAL RISK MANAGEMENT (Continued)

4.5. Fair Value

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

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

5. SALES OF PRODUCTS AND SERVICES IN DOMESTIC MARKET

	Year Ended December 31, 2015	2014
Accommodation	107,839	107,984
Food	16,619	14,207
Daily rest	1,126	1,264
Other	4,485	3,488
	130,069	126,943

6. OTHER OPERATING INCOME

	Year Ended December 31, 2015	2014
Rental income	1,889	1,817
Other operating income	17	2
	1,906	1,819

7. COST OF MATERIALS

	Year Ended December 31, 2015	2014
Food, beverages and other restaurant goods	7,852	7,032
Maintenance materials	3,494	3,342
Write-off of tools and fixtures	728	772
	12,074	11,146

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
All amounts expressed in thousands of RSD, unless otherwise stated.

8. COST OF FUEL AND ENERGY

	Year Ended December 31, 2015	2014
Electiricity bills	3,374	3,271
Heating bills	3,421	2,898
	6,795	6,169

9. STAFF COSTS

	Year Ended December 31, 2015	2014
Gross salaries	11,529	9,955
Payroll taxes and contributions charged to the employer	2,103	1,797
Author's fees, considerations per service contracts and other contracts	5,445	4,194
Remunerations to the Company Director and memebers of governing and supervisory bodies	2,052	-
Other staff costs	810	907
	21,939	16,853

10. COST OF PRODUCTION SERVICES

	Year Ended December 31, 2015	2014
Telecommunications, postage and transportation services	2,949	2,720
Maintenance	2,308	1,914
Rental costs	217	-
Marketing and advertising	83	41
Utilities	979	912
Laundry (BMP – related party)	2,840	2,820
Cost of other services	42	295
	9,418	8,702

11. DEPRECIATION, AMORTIZATION AND PROVISIONS

	Year Ended December 31, 2015	2014
Depreciation and amortization charge:		
- property and equipment	24,664	24,149
- intangible assets	102	102
	24,766	24,251

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
All amounts expressed in thousands of RSD, unless otherwise stated.

12. NON-MATERIAL COSTS

	Year Ended December 31, 2015	2014
Tempary and seasonal employees	390	3,353
Building maintenance	1,533	1,414
Consultnat services	295	1,094
Security services	803	748
IT network maintenance	855	732
Laweyr fees	896	626
Other non-production services	5,789	3,994
Entertainment	720	573
Insurance premiums	367	395
Bank charges	7,174	7,076
Membership fees	52	32
Taxes and contributions payable	3,979	3,935
Other non-material costs	68	475
	22,921	24,447

13. FINANCE INCOME AND EXPENSES

	Year Ended December 31, 2015	2014
Finance income		
Interest income (from third parties)	1,016	641
Foreign exchange gains and positive currency clause effects (from third parties)		
Foreign exchange gains	3,521	260
Currency clause positive effects	-	864
	4,537	1,765
Finance expenses		
Interest expenses (to third parties):		
- per borowings	9,781	11,935
- other interest expenses	2	2
	9,783	11,937
Foreign exchange losses and negative currency clause effects (to third parties)		
Foreing exchange losses	4,145	442
Curency clause negative effects	-	12,210
	4,145	12,652
	13,928	24,589

14. OTHER INCOME

	Year Ended December 31, 2015	2014
Surpluses	-	119
Write-off of liabilities	-	659
Other income, elsewhere not mentioned	36	536
	36	1,314

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
All amounts expressed in thousands of RSD, unless otherwise stated.

15. OTHER EXPENSES

	Year Ended December 31, 2015	2014
Write-off of receivables	-	525
Other expenses, elsewhere not mentioned	44	52
	44	577

16. INCOME TAXES

a) Components of Income Taxes

	Year Ended December 31, 2015	2014
Current income tax expense/benefit	(5,745)	(1,629)
Deferred tax benefits/(expenses)	2,027	(773)
Total income tax expense for the year	(3,718)	(2,402)

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

	2015	2014
Profit before taxes	24,663	15,107
Income taxes at the statutory tax rate of 15%	3,699	2,266
Tax credits for capital expenditures realized in the current year	-	(2,718)
Tax credits utilized	-	2,718
Other	19	136
Total income taxes stated in Income statement – income tax expenses	3,718	2,402

c) Deferred tax assets and liabilities

	2015	2014
Deferred tax assets		
Tax loss carryforwards	-	-
Tax credit carryforwards	-	-
Total	-	-
Deferred tax liabilities		
Balance, beginning of year	70,967	72,915
Temporary differences on property and equipment	(2,027)	(1,948)
Other	(1)	-
Total	68,939	70,967
Deferred tax liabilities, net	68,939	70,967

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
All amounts expressed in thousands of RSD, unless otherwise stated.

17. PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

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

	Land	Buildings	Equipment and Other Assets	Investment in Progress; Advances Paid	Total	Intangible Assets
Cost						
Balance at January 1, 2014	200,786	617,310	27,116	45,165	890,377	782
Additions	-	-	-	24,674	24,674	391
Transfers	-	63,176	5,480	(69,777)	(1,121)	-
Balance, December 31, 2014	200,786	680,486	32,596	62	913,930	1,173
Balance at January 1, 2015	200,786	680,486	32,596	62	913,930	1,173
Additions	-	-	1,537	-	1,537	-
Balance, December 31, 2015	200,786	680,486	34,133	62	915,467	1,173
Accumulated Depreciation/Amortization						
Balance, January 1, 2014	-	95,511	14,445	-	109,956	301
Charge for the year	-	19,625	4,524	-	24,149	102
Balance, December 31, 2014	-	115,136	18,969	-	134,105	403
Balance, January 1, 2015	-	115,135	18,969	-	134,104	403
Charge for the year	-	20,415	4,249	-	24,664	102
Balance, December 31, 2015	-	135,550	23,218	-	158,768	505
Net book value						
December 31, 2015	200,786	544,936	10,915	62	756,699	668
December 31, 2014	200,786	565,350	13,627	62	779,825	770

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

Office building with undetermined purpose, ground plus 7 floors situated at no. 5, Kneza Milosa Street, Belgrade, cadaster lot 4939, number of lot, building or structure under 1. listed in real estate folio no. 2807, Cadastral Municipality Vračar. As at December 31, 2015, the net book value of the pledged building amounted to RSD 544,935 thousand.

18. OTHER LONG-TERM FINANCIAL INVESTMENTS

Other long-term financial investments totaling RSD 32,109 thousand (2014: RSD 21,772 thousans) relate to cash funds deposited with Vojvođanska banka, which acts as an agent regarding the loan approved by the National Bank of Greece SA, London Branch (Note 26) athe average interest rate equal to 50% of the key policy rate of the National Bank of Serbia. These funds shall remain depoisted up to the date of the loan maturity..

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
All amounts expressed in thousands of RSD, unless otherwise stated.

19. INVENTORIES

	December 31, 2015	December 31, 2014
Materials	1,228	650
Spare parts	61	61
Tools and fixtures	890	53
Less: Allowance for impairment	-	-
	2,179	764
Advances paid to suppliers	733	35
Less: Allowance for impairment	-	-
	733	35
Balance, December 31	2,912	799

20. TRADE RECEIVABLES

	December 31, 2015	December 31, 2014
Domestic trade receivables	1,501	488
Foreign trade receivables	3,333	1,468
Balance, December 31	4,834	1,956

21. OTHER RECEIVABLES

	December 31, 2015	December 31, 2014
Receivables from emploees	27	20
Receivables for prepaid ncome taxes	-	656
Other current receivables	395	281
Balance, December 31	422	957

22. CASH AND CASH EQUIVALENTS

	December 31, 2015	December 31, 2014
RSD current account	6,553	9,346
Deposited funds	-	1,178
Foreign currency accounts	9,108	5,814
Balance, December 31	15,661	16,338

23. VALUE ADDED TAX

As of December 31, 2015 the Company stated a receivable for prepaid value added tax in the amount of RSD 5,558 thousand (2014: RSD 13,562 thousand).

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
All amounts expressed in thousands of RSD, unless otherwise stated.

24. EQUITY AND RESERVES

The Company's share capital as recorded in the books of account amounted to RSD 77,311 thousand as of December 31, 2015 and 2014 and is entirely comprised of common stock shares. As of December 31, 2015, share capital was divided into 77,311 common shares with indiividual par value of RSD 1,000. All shares issued are fully paid in.

The Company's majority owner is Lampsa AE, Athens, Greece, holding 80.33% of sahares and voting power.

The Company's shareholder structure at December 31, 2015 was as follows:

Shareholder	Share Count	RSD '000	%
Lampsa AE Athens, Greece	62,104	62,104	80.33%
Other shareholders – private individuals	14,929	14,929	19.31%
Collective, i.e., custody account	278	278	0.36%
	77,311	77,311	100.0%

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

25. LONG-TERM PROVISIONS

As of December 31, 2015 and 2014 the Company sated provisions for litigations in the amount of RSD 1,720 thousand (Note 29).

26. LONG-TERM BORROWINGSS

	December 31, 2015	December 31, 2014
Long-term borrowings from banks	177,599	216,746
Less: Current portion of long-term borrowings	(40,343)	(40,122)
Balance, December 31	137,256	176,624

Long-term borrowings are comprised of:

	EUR	December 31, 2015	December 31, 2014
National Bank of Greece SA, London Branch	1,460,205	177,599	216,746
Current portion	(331,700)	(40,343)	(40,122)
		137,256	176,624

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

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

26. LONG-TERM LIABILITIES (Continued)

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

	December 31, 2015	December 31, 2014
- up to 1 year	40,343	40,122
- from 1 to 2 years	40,343	40,122
- from 2 to 3 years	96,913	40,122
- from 3 to 4 years	-	96,380
- from 4 to 5 years	-	-
	177,599	216,746

27. TRADE PAYABLES

	December 31, 2015	December 31, 2014
Trade payables:		
- related parties (BMP)	198	264
- domestic	3,207	2,946
- foreign	229	286
Other accounts payable	193	142
Balance, December 31	3,827	3,638

28. RELATED PARTY DISCLOSURES

In the regular course of business, the Company enters into transactions with its related parties. The transactions entered into by the Company and its related parties are governed by relevant contracts and performed under arm's length terms. Related party transctions/balances are presented in the relevant Notes to the financial statements (Note 10 – Cost of poductioon services and Note 27 – Trade payables).

29. LITIGATION

As of December 31, 2015 the Compay was involved in several legal suits on different grounds. Based on the opinion of the Company's attorney and the management's estimate, the Company accrued a liabilitiy in repsect thereof in the amount of RSD 1,720 thousand.

30. CONTINGENT LIABILITIES

Land and building property stated as of December 31, 2015 in the amount of RSD 745,722 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 Privatization 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. The Company’s management holds that the Company will not suffer adverse effects arising from the issue of regulating nationalized property or incur outflows of resources in this respect.

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015
All amounts expressed in thousands of RSD, unless otherwise stated.

31. TAXATION RISKS

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

32. EVENTS AFTER THE REPORTING PERIOD

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

33. EXCHANGE RATES

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

		In RSD
	December 31, 2015	**December 31, 2014**
EUR	121.6261	120.9583

APPENDIX 1 and 2

APPENDIX 1

INCOME STATEMENT
Year Ended December 31, 2015
(in thousand of EUR)

	Note	2015	2014
Operating income		**1,093**	**1,099**
Revenue	5	1,077	1,083
Revenue from undertaking for own purposes		-	-
Other operating income	6	16	16
Operating expenses		**811**	**782**
Cost of materials	7	100	95
Cost of fuel and energy	8	56	53
Staff costs	9	182	144
Cost of production services	10	78	74
Depreciation and provision costs	11	205	207
Non-material costs	12	190	209
Operating profit		**282**	**317**
Financial income	13	38	15
Financial expenses	13	115	210
Other income	14	-	11
Other expenses	15	-	5
Profit before tax		**204**	**128**
Tax on profit	16	**31**	**20**
Tax expense of a period		48	14
Deferred tax expense of a period		-	6
Deferred tax income of a period		17	-
Net profit for the year		**173**	**108**

Note:

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

Translation of Income Statement for the years ended December 31, 2014 and 2013 was performed using the following average exchange rates:
- 2015: 120.7655
- 2014: 117.2478

BALANCE SHEET
As at December 31, 2015
(in thousand of EUR)

	Note	December 31, 2015	December 31, 2014
Assets			
Non-current assets		**6,491**	**6,633**
Intangible assets	17	5	6
Property, plants and equipment	17	6,222	6,447
Long-term financial investments	18	**264**	**180**
Other long-term financial investments		264	180
Current assets		**246**	**282**
Inventories	19	24	7
Short-term receivables, investments and cash		**222**	**275**
Trade receivables	20	40	16
Other receivables	21	3	8
Cash and cash equivalents	22	129	135
Value added tax	23	46	112
Accrued expenses		4	4
Total assets		**6,737**	**6,915**
Equity		**4,637**	**4,490**
Share capital	24	636	639
Revaluation reserves	24	3,756	3,777
Translation reserves		(24)	(20)
Retained earnings		612	439
Loss		(343)	(345)
Long-term provisions and liabilities		**1,143**	**1,474**
Long-term provisions	25	14	14
Long-term loans	26	1,129	1,460
Short-term liabilities		**390**	**364**
Short-term financial liabilities	26	332	332
Advances and deposits received		4	1
Trade payables	27	31	30
Other short-term liabilities		6	1
Income taxes payable		17	-
Accruals		-	-
Deferred tax liabilities	16 c	567	587
Total liabilities		**6,737**	**6,915**

Note:

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

Translation of Balance Sheet as at December 31, 2014 and 2013 was performed using the following closing rates:
- December 31, 2015: 121.6261
- December 31, 2014: 120.9583