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Račun 265-1100310000190-61

Raiffeisen banka a.d. Beograd

PIB 100058593

**TRANSLATION****Independent Auditors' Report**

TO THE ASSEMBLY OF  
"BANJALUČKA PIVARA" A.D. BANJA LUKA

We have audited the accompanying financial statements of "Banjalučka pivara" a.d. Banja Luka ("the Company"), which comprise the balance sheet as at 31 December 2010, the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the applicable Law on Accounting and Auditing of the Republic of Srpska, and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 our 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, we consider internal control relevant to the preparation and true and objective presentation of 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 truly and objectively, in all material respects, the financial position of the Company as at 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with the applicable Law on Accounting and Auditing of the Republic of Srpska.

*Other matter*

KPMG doo Beograd was appointed by the assembly of the company on 24 June 2010 to deliver the independent statutory audit of the company's financial statements for the financial year 2010. The opinion set out above is provided as part of this process but should be read in conjunction with the opinion of the registered statutory auditor, as attached to this independent auditors report.

Belgrade, 23 May 2011

KPMG d.o.o. Beograd

(L.S.)

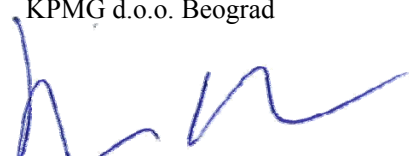
James Thornley  
*Partner*

*This is a Translation of the Original Independent Auditors' Report issued in Serbian Language. We are responsible for the translation of the Independent Auditors' Report and not for any other documents.*

Belgrade, 23 May 2011

KPMG d.o.o. Beograd



  
James Thornley  
*Partner*

**Notes to the financial statements  
for I-XII/2010**

**INCOME STATEMENT**  
**FOR THE PERIOD FROM JANUARY 1, TO DECEMBER 31, 2010**

<b>(In CM)</b>	<b>Notes</b>	<b>I-XII-2010</b>	<b>I-XII-2009</b>
<b>OPERATING INCOME</b>			
Sales	4	23,581,821	23,533,439
Povećanje vrijedn, zaliha ucinaka		-	-
Other income	5	762,605	821,553
		24,344,426	24,354,992
<b>OPERATING EXPENSES</b>			
Cost of commercial goods sold		19,857	8,275
Materials, fuel and energy	6	10,217,610	11,689,617
Decrease in value of inventories		266,163	110,554
Staff costs	7	4,792,846	5,304,416
Amortization expense	9	6,947,198	7,550,638
Provisions	18	-	-
Other operating expenses	8	5,684,357	5,300,730
		27,928,031	29,964,230
<b>LOSS FROM OPERATIONS</b>		<b>(3,583,605)</b>	<b>(5,609,238)</b>
<b>FINANCE INCOME / (EXPENSES)</b>			
Interest income		2,374	2,386
Foreign exchange gains		57	9
Interest expense		(1,584,439)	(2,504,332)
Expenses based on transactions with related legal entities		(1,000,372)	-
Foreign exchange losses		(769)	(116)
Other finance expenses	18	(525,000)	(525,000)
		(1,609,993)	(1,561,843)
Revenues on the basis of change of accounting policies and correction of mistakes from previous years		6,521	
Expenses on the basis of change of accounting policies and correction of mistakes from previous years		(497)	
Income tax			
<b>NET LOSS FOR THE YEAR</b>		<b>(6,685,730)</b>	<b>(8,636,291)</b>

**STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2010**

**In CM**

	<b>Share Capital</b>	<b>Legal Reserves</b>	<b>Statutory Reserves</b>	<b>Emission premium</b>	<b>Other Reserves</b>	<b>Accumulated Result</b>	<b>Total</b>
Balance, January 1, 2009	65,196,303	857,425	5,199,375	3,500,000	272,840	(53,624,847)	21,401,096
Effects of revalorisation of long term financial placements	-	-	-	-	(32,011)	-	(32,011)
Correction	-	-	-	-	-	(125,542)	(125,542)
Loss for the year	-	-	-	-	-	(8,636,291)	(8,636,291)
<b>Balance, December 31, 2009</b>	<b>65,196,303</b>	<b>857,425</b>	<b>5,199,375</b>	<b>3,500,000</b>	<b>240,829</b>	<b>(62,386,680)</b>	<b>12,607,252</b>
Balance, January 1, 2010	65,196,303	857,425	5,199,375	3,500,000	240,829	(62,386,680)	12,607,252
Effects of revalorisation of long term financial placements	-	-	-	-	(199,764)	-	(199,764)
Loss for the year	-	-	-	-	-	(6,685,730)	(6,685,730)
<b>Balance, December 31, 2010</b>	<b>65,196,303</b>	<b>857,425</b>	<b>5,199,375</b>	<b>3,500,000</b>	<b>41,065</b>	<b>(69,072,410)</b>	<b>5,721,758</b>

**BALANCE SHEET**  
As of December 31, 2010

(In CM)

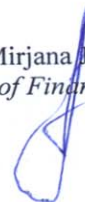
	Notes	I-XII-2010	I-XII-2009
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	9.1	5,810,056	5,810,056
Property, plant and equipment	9	34,719,086	40,214,549
Long-term financial placements	10	554,186	761,971
		<b>41,083,328</b>	<b>46,786,576</b>
<b>Current assets</b>			
Inventories	11	5,032,657	5,029,510
Accounts receivable	12	2,970,582	2,548,170
Other current assets and prepayments	13	205,450	188,277
Value added tax (VAT)	13	38,907	36,690
Portion of the long-term loan maturing up to one year	10.1.	32,913	45,064
Cash and cash equivalents	15	2,439,946	327,205
		<b>10,720,455</b>	<b>8,174,916</b>
<b>Loss above capital</b>		-	-
<b>Total assets</b>		<b>51,803,783</b>	<b>54,961,492</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	16	65,196,303	65,196,303
Share premium		3,500,000	3,500,000
Legal reserves		857,425	857,425
Statutory reserves		5,199,375	5,199,375
Other reserves		41,065	240,829
Accumulated loss/Retained earnings		(69,072,410)	(62,386,680)
		5,721,759	12,607,252
<b>Non-current liabilities</b>			
Long-term borrowings	17	16,452,332	16,403,471
Other long-term liabilities	17	86,960	-
		16,539,292	16,403,471
<b>Long-term provisions</b>	18	2,306,034	1,919,883
<b>Current liabilities</b>			
Current portion of long-term liabilities	17	4,682,508	4,753,529
Short-term financial liabilities		15,494,265	13,315,396
Accounts payable	19	4,034,546	3,968,378
Other current liabilities and accruals	20	3,025,380	1,993,583
		27,236,698	24,030,886
<b>Total equity and liabilities</b>		<b>51,803,783</b>	<b>54,961,492</b>

General Manager, Mr Nicholas Penny, has approved the financial statements.  
Belgrade, 18 May 2011  
BANJALUČKA PIVARA A.D. BANJA LUKA

Nick Penny  
Managing Director




Mirjana Jovanović  
Director of Finance and Accounting



**STATEMENT OF CASH FLOWS  
FOR THE PERIOD FROM JANUARY 1, TO  
DECEMBER 31, 2010**

**(In CM)**

	<b>I-XII-2010</b>	<b>I-XII-2009</b>
<b>Operating activities</b>		
Cash receipts from customers	32,762,955	34,068,899
Other cash received from operating activities	385,229	562,652
Cash paid to suppliers	(16,653,179)	(18,760,347)
Cash paid to and on behalf of employees	(4,698,036)	(4,997,215)
Interest paid	(1,703,604)	(2,538,513)
Non-income taxes and other duties paid	(8,839,852)	(8,633,976)
<i>Net cash provided by operating activities</i>	1,253,513	(298,500)
<b>Investing activities</b>		
Increase in long-term financial placements	-	-
Increase in short-term financial placements	38,031	42,439
Interest received	2,374	2,386
Decrease in other long-term financial placements	(16,518)	-
Purchases of property, plant and equipment	(1,244,869)	(1,149,364)
<i>Net cash (used in)/provided by investing and placement activities</i>	(1,220,982)	(1,104,539)
<b>Financing activities</b>		
(Decrease)/Increase in short-term borrowings	2,080,210	1,285,458
(Decrease)/Increase in long-term borrowings	-	-
Increase based on increase of basic capital	-	-
<i>Net cash (used in)/provided by financing activities</i>	2,080,210	1,285,458
<b><i>Net cash flow (decrease/increase)</i></b>	<b>2,112,741</b>	<b>(117,581)</b>
<b>Cash and cash equivalent, beginning of year</b>	<b>327,205</b>	<b>444,786</b>
<b>Cash and cash equivalents, end of year</b>	<b>2,439,946</b>	<b>327,205</b>

## **1. FOUNDATION AND ACTIVITY**

The enterprise for production of beer "Banjalučka pivara" A.D., Banja Luka (hereinafter: "the Company") was founded in 1873 and nationalized in 1950. From 1975 the Company operated as a part of Agroindustrijski poljoprivredni kombinat "Bosanska Krajina".

During 1991, the Company registered as a shareholding entity with mixed ownerships "Banjalučka pivara", Banja Luka, and during 1995 in accordance with regulation applicable in the Republic of Srpska, the Company became state-owned enterprise. Pursuant to the Decision numbered U/I-143/2003 of February 19, 2003, the Company is registered as Shareholding Company "Banjalučka pivara" Banja Luka.

Pursuant to its Decision numbered 02/1-020-138/05 of February 3, 2005, the Government of the Republic of Srpska approved the Special privatization Program for sale of state-owned portion of capital (53,81% of core capital) via tender and variable terms. More details on the privatization are provided in note 16.

The Company's primary business activity is in the production of beer, as well as other soft drinks, malt and brewers' yeast.

The Company is domiciled in Banja Luka, on Slatinska Street 8.

As of December 31, 2010, the Company had 241 employees (2009 year - 251 employees).

## **2. BASIS OF PREPARATION AND PRESENTATION OF THE FINANCIAL STATEMENTS**

Management of the Company has prepared these financial statements in accordance with Law on accounting and auditing of Republic of Srpska applying generally accepted accounting principles and practice in Republic of Srpska, as well as other relevant regulations in the Republic of Srpska.

Summary of the significant accounting policies is presented in Note 3 to the financial statements.

The figures in the accompanying financial statements have been expressed in convertible marks (CM). The convertible mark is the official reporting currency in the Republic of Srpska.

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **3.1 Income Recognition**

Sales are stated at invoiced value, net of discounts, returns, and value added tax (VAT). Income from sales is recognized at the moment of sale.

### **3.2 Maintenance and Repairs**

The maintenance and repair are expensed as incurred at the effective amounts, and have been reported in the Company's income statement.

### **3.3 Interest Income and Expense and Other Borrowing Costs**

Interest income, interest expense and other borrowing costs are recognized on an accrual basis.



### **3.4 Bad Debt Provision**

Accounts receivable are stated at their nominal value less any allowance for impairment. A provision is recognized and charged to the Statement of Income against domestic and foreign trade receivable balances that are more than 120 days past due. The uncollectible receivables are written off in accordance with the Article 88 of Rule on Application of the accounting policies.

### **3.5 Foreign Exchange Gains and Losses**

Assets and liabilities denominated in foreign currencies are translated into convertible marks at the official exchange rates prevailing at the balance sheet date.

Foreign currency transactions made during the year are translated into convertible marks at the official exchange rates in effect at the date of each transaction. Foreign exchange gains and/or losses arising from fluctuations in currency exchange rates upon translation are debited and/or credited as appropriate, to the Statement of income.

The official exchange rates for major currencies used in the translation of the balance sheet items denominated in foreign currencies are as follows:

#### **Exchange rates**

	<b>31.12.2010</b>	<b>31.12.2009</b>
<b>In CM</b>		
USD	1.472764	1.364088
CHF	1.567800	1.314579
EUR	1.955830	1.955830
GBP	2.273692	2.163529

### **3.6 Taxes and contributions**

#### **Income Taxes**

Income tax represents an amount calculated and payable as prescribed under the Republic of Srpska Tax Law.

Tax authorities determine monthly advance payment calculation for income tax.

A final statutory income tax of 10 percent is payable on the taxable income reported by the tax paying entity in its annual corporate income tax returns. The taxable income reported in the tax returns includes the profit shown in the statutory statement of income and any adjustments for permanent differences made thereto, as defined under the Republic of Srpska Tax Law. Such adjustments primarily consist of: adding back certain disallowed expenses and of deducting investments in property and equipment, in its own shares or in those of another legal entity, as well as of deducting a portion of the total tax liability that is proportionate to the percentage of a foreign entity's participation in the tax paying entity's total share capital. The income tax amount may be decreased by certain tax facilities envisaged under the effective income tax regulations.

The Republic of Srpska Income Tax Law (Article 13 of the RS Law on Income Tax) allows for tax losses from the current year stated in the income tax statement to be used to decrease taxable profits for future reporting periods for the period of five years.

### **3.7 Property, Plant and Equipment**

In order to reconcile the value of property, plant and equipment and intangible assets stated in the Company's books of account to their market values, the Company engaged a local, independent certified appraiser to value property, plant and equipment and intangible assets as of December 31, 2003. The net effects of appraisal were recorded in the financial statements for the year ended December 31, 2003 and charged to revaluation reserves in accordance with previously applied accounting regulations.

Additions after January 1, 2004 are recorded at cost, less accumulated depreciation. Cost represents the prices billed by suppliers together with all costs incurred in bringing new fixed assets into use, Cost is decreased for discounts and rebates. Cost of constructed buildings represents their cost as of the date of construction end.

Equipment is capitalized as a fixed asset if it is expected that its useful economic life will exceed one year.

Gains on the disposal of fixed assets are credited directly to "Other income," whereas the losses arising upon the disposal of fixed assets are charged to "Other expenses."

Subsequent expenditure such as modification to property, plant and equipment, adaptation and overhaul is recognized as an increase in the cost of the respective assets. Repairs and maintenance are expensed as incurred and are shown as "Operating expenses."

### **3.8 Intangible Assets**

Intangible assets as of the balance sheet date mainly consist of the value of the land upon which the right of permanent beneficial use has been granted to the Company by the State (pursuant to the Law on the Opening Balance Sheet in the Process of Privatization of State-Owned Capital in Companies) and purchased software. The value of intangible asset was based on the land value specified by the Urbanism Bureau. In accordance with the applicable accounting regulations, the aforementioned land is not amortized.

### **3.9 Depreciation**

The depreciation of property, plant and equipment and intangible assets is provided for on a straight-line basis in order to fully write off the cost of the assets over their estimated useful lives. The remaining useful lives of major classes of property, plant and equipment and intangible assets as well as their corresponding effective depreciation rates for 2008 are as follows:

<b>Depreciation</b>	<b>Useful Life (years)</b>	<b>Rate (%)</b>
Software	5	20
Buildings	20 - 77	1,3 - 5
Production equipment	5 - 14	7 - 20
Vehicles	6 - 8	12,5 - 15,5
Computers	5	20
Other equipment	6 -10	10 - 20
Packaging	3 - 5	20 - 33,3

### **3.10 Impairment**

At each balance sheet date, the Company's management reviews the carrying amounts of the Company's tangible 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 amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognized as an expense of the current period and is recorded under "Other operating expenses," unless the relevant asset is carried at a revalued amount, in which instance, the impairment loss is treated as a revaluation decrease up to its revalued amount.

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 relevant asset is carried at a revalued amount, in which instance, the reversal of the impairment loss is treated as a revaluation increase.

Given that significant changes occurred in the Company's economic environment during the observed business year, which adversely affected the Company (such as large increase in raw material prices in the world market, sales reduction trend, etc.), and given the fact that we have been recording losses in the past few years, the Company's management performed an impairment test in order to determine whether there is an impairment loss to be recorded, all in accordance with the International Accounting Standard 36-Asset Impairment.

After performing the analysis prescribed by IAS 36 it was concluded that the assets have not been impaired in the observed period, i.e., that an impairment loss has not been generated.

### **3.11 Long-Term Financial Placements**

Long-term financial placements consist of the Company's equity interests held in other legal entities, time deposits with commercial banks, as well as long-term loans granted to the Company's employees.

Available-for-sale equity investments are measured at fair value in accordance with IAS 39: Financial instruments: Recognition and Measurement. Gain or loss arising from changes in fair value of available-for-sale investments are recognized directly in equity, except for impairment losses and foreign exchange gains and losses, until the financial assets is derecognized, at which time the cumulative gain or loss previously recognized in equity are recognized in profit or loss.

### **3.12 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 materials, spare parts and small inventories and tools is determined using the weighted-average cost method. Cost includes the invoiced value, transport and other attributable expenses Small inventories and tools are fully written off once they are placed into use.

Provisions that are charged to "Other operating expenses" are made where appropriate in order to reduce the carrying value of such inventories to management's best estimate of their net

realizable value, Inventories found to be damaged or of a substandard quality are written off in full.

### **3.13 Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held in commercial banks and any other highly- liquid investments that are readily convertible to known amounts of cash, and are subject to an insignificant risk of changes in value.

### **3.14 Provisions**

Provisions are recognized and calculated when the Company has a pending, present legal or contractual obligation as a result of a past event, and when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

### **3.15 Statutory reserves**

Statutory reserves represents reserves formed in accordance with the Rules on the Manner and Cut-Off of Valuation, and Recording the Effects of Valuation on the Individual Balance Sheet Positions of Legal Entities (See "Official Gazette of the Republic of Srpska," numbered 9/03, hereinafter referred to as the "Rules"), as the surplus of revaluation reserves formed in previous years, after covering the negative effects of the appraisal of fixed assets and intangible assets (Note 3.7). Pursuant to Article 11 of the Rules, in future reporting periods, specific provisions will be accounted for in accordance with the "Guidelines on the Chart of Accounts and the Content of Accounts within the Chart of Accounts."

### **3.16 Fair Value**

It is the policy of the Company to disclose the fair value information of those financial assets and financial liabilities for which published market information is readily and reliably available, and whose fair value is materially different from their recorded amounts. Sufficient market experience, stability and liquidity do not exist for the purchase and sale of loans and other financial assets or liabilities, given that published market information is not readily available. Hence, fair value cannot reliably be determined. In the opinion of management, the reported recoverable amounts represent the most valid and useful reporting values, given the existing market conditions.

**4. SALES**

<b>In CM</b>	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Sales of products and services in domestic market:		
- wholesale of beer	23,105,568	23,063,583
- retail sale of beer	66,287	121,508
- other	213,526	149,885
	23,385,381	23,334,976
Sales of beer in foreign market	196,440	198,463
	<b>23,581,821</b>	<b>23,533,439</b>

**5. OTHER OPERATING INCOME**

<b>In CM</b>	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Income from sales of merchandise	14,805	78
Income from own services	55,293	69,717
Recovery of bad debts	580,385	349,893
Gains on the sale of materials	47	57
Surpluses	19,154	193,142
Revenue from rental fees	43,328	28,101
Subsequently approved rebates from suppliers	2,422	12,657
Collected penalties, fees and damage compensations	11,875	15,371
Other income	35,296	152,538
<b>Total</b>	<b>762,605</b>	<b>821,554</b>

**6. MATERIALS, FUEL AND ENERGY**

<b>In CM</b>	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Raw materials	6,396,080	8,662,652
Other materials	1,610,884	1,064,775
Fuel	1,232,977	1,037,897
Water	546,195	530,143
Energy	431,474	394,151
	<b>10,217,610</b>	<b>11,689,617</b>

**7. STAFF COSTS**

<b>In CM</b>	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Gross employees' salaries	4,105,940	4,420,865
Transportation of employees	128,445	133,745
Employee meals	149,098	222,545
Payments to employees for own car usage for business purposes	11,352	2,392
Severance payments	7,720	7,920
Financial assistance to employees	9,430	12,545
Remuneration to the members of the Management Board and Supervisory Board	85,671	24,712
Severance payment for termination of labor contract	-	191,419
Annual leave allowance	153,025	191,890
Jubilee awards	15,036	12,530
Travel expenses	124,944	80,847
Other payments to employees	2,185	3,006
	<b>4,792,846</b>	<b>5,304,416</b>

**8. OTHER OPERATING EXPENSES**

<b>In CM</b>	<b>December 31, 2010</b>	<b>December 31, 2009</b>
Telecommunication costs	70,605	69,345
Transportation of products to customers	434,904	363,552
Transportation of materials	10,346	12,045
Filling and transportation of cans	373,500	289,724
Other transportation services	311	276
Internet connection fee	7,714	6,610
Maintenance	332,097	376,299
Rentals	4,800	5,853
Marketing services	1,369,462	1,465,824
Registration of automobiles	7,021	22,666
Professional literature	2,385	2,152
Other services	164,561	130,073
Per diems	1,400	3,960
Import commission and customs' duties	23,845	27,919
Education of employees	9,526	8,700
Consulting services	638,336	567,244
Other non-manufacturing expenses	50,867	65,836
Entertainment	408,868	331,618
Insurance premiums	245,283	270,990
Bank charges and fees	150,279	33,907
Membership fees	5,400	-
Indirect taxes and contributions	149,030	132,452
Other intangible expenses	46,669	32,260
Losses on the disposal of property, plant and equipment	45,731	12,252
Damages	73,181	59,475
Shortages	43,011	223,642
Provisions	934,357	609,244
Other expenses	80,867	176,812
	<b>5,684,357</b>	<b>5,300,730</b>

**9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS**

<b>In CM</b>	<b>Buildings</b>	<b>Equipment, packaging and other fixed assets</b>	<b>Construction in progress</b>	<b>Total</b>
Balance, January 1, 2009	40,427,830	100,360,508	67,779	140,856,117
Purchases	-	-	2,154,795	2,154,795
Transfer from/to	-	2,153,279	(2,153,279)	-
Surpluses	-	192,359	-	192,359
Disposal and impairment	-	(7,450,602)	(2,980)	(7,453,582)
Balance, December 31, 2009	40,427,830	95,255,544	66,315	135,749,689
Purchases	-	-	1,587,358	1,587,358
Transfer from/to	-	1,583,518	(1,583,518)	-
Surpluses	-	20,149	-	20,149
Disposal and impairment	-	(1,811,214)	(297)	(1,811,511)
Balance, December 31, 2010	40,427,830	95,047,997	69,858	135,545,685
<b>Correction of value</b>	-	-	-	-
Balance, January 1, 2009	24,621,465	70,554,103	-	95,175,568
Current charges	837,667	6,712,970	-	7,550,637
Surpluses	-	76	-	76
Disposal and impairment	-	(7,191,141)	-	(7,191,141)
Balance, December 31, 2009	25,459,132	70,076,008	-	95,535,140
Current charges	837,667	6,109,531	-	6,947,198
Surpuses	-	999	-	999
Disposal and impairment	-	(1,656,739)	-	(1,656,739)
Balance, December 31, 2010	26,296,799	74,529,799	-	100,826,598
<b>Net book value as of December 31, 2009</b>	<b>14,968,698</b>	<b>25,179,536</b>	<b>66,315</b>	<b>40,214,549</b>
<b>Net book value as of June 30, 2010</b>	<b>14,131,031</b>	<b>20,518,198</b>	<b>69,858</b>	<b>34,719,087</b>

Net book value fixed assets financed from financial leasing as at 31 December 2010 amounts to 292,928 CM. Information on pledged assets are provided in Note 18.



## 9.1 INTANGIBLE ASSETS

<b>in CM</b>	Right on use of land and investing in facilities under mortgage	<b>Total</b>
<b>Cost</b>		
Balance, January 1, 2009	5,824,859	5,824,859
Purchases	-	-
Balance, December 31, 2009	5,824,859	5,824,859
Purchases	-	-
Balance, December 31 2010	5,824,859	5,824,859
<b>Correction of value</b>		
Balance, January 1,2009	14,803	14,803
Current charges	-	-
Balance, December 31, 2009	14,803	14,803
Current charges	-	-
Balance, December 31,2010	14,803	14,803
<b>Net book values as of December 31, 2009</b>	<b>5,810,056</b>	<b>5,810,056</b>
<b>Net book value as of December 31, 2010</b>	<b>5,810,056</b>	<b>5,810,056</b>

## 10. LONG-TERM FINANCIAL PLACEMENTS

<b>in CM</b>	<b>31.12.2010.</b>	<b>31.12.2009.</b>
Equity investments in other legal entities:		
- Kosig Dunav Osiguranje A,D,, Banja Luka [insurance co,]	199,240	406,229
- Krajina Osiguranje A,D,, Banja Luka [insurance co,]	21,675	14,450
	220,915	420,679
Housing loans to employees	156,221	180,117
Less: Portion of long-term loans with up to 1-year maturities	(84,015)	(76,471)
	72,206	103,646
Provision for housing loans	(12,953)	(19,853)
	59,252	83,792
Long-term deposits	257,500	257,500
Long –term bonds available for sale	16,518	-
	<b>554,186</b>	<b>761,971</b>

Housing loans to employees as of December 31, 2010 in the amount of CM 156,221 relate to long-term loans extended to Company employees. Loans are approved to employees at the following terms: up to 20-year maturities, at an annual interest rate of 4 percent. During 2005, pursuant to the November 11, 2005 Decision of the Association of Workers "Union of the Banja Luka Brewery," (the "Union"), the Company assumed the receivables from the Union associated with the extended residential loans to employees in the total amount of CM 404,755 (Note 6), which were in previous years approved to employees by the Company, and subsequently such receivables were transferred from the Company to the Union,

On December 31, 2007, a provision of CM 28,958 for long-term housing loans receivables that could prove difficult to be collected was booked and on December 31, 2008 CM 9,104 was rebooked to provisions for short – term loans.

Long-term deposits of CM 257,500 as of December 31, 2010 entirely relate to the non-interest-earning deposits held with the Razvojna banka Jugoistocne Evrope, A,D, Banja Luka (the "Development Bank of Southeast Europe" A,D,, Banja Luka), entered into in accordance with the provisions of the Agreement on Commercial Co-operation of May 5, 2003. Namely, under the terms of the aforementioned agreement, the Company has an obligation to deposit funds in the amount of CM 1,000,000 which are intended to serve as security on the repayment of loans that the Razvojna banka has extended to the Company's employees. These funds have been placed for a period of fifteen years, with the ability to utilize them only subsequent to the expiration of eleven years from the deposit date of the funds. The Company has deposited a total of CM 257,500, while the remainder of CM 742,500 has not yet been deposited with the Razvojna banka as of the date of the financial statements for the year 2010. Amount of CM 16,518 relates to the purchase of long-term bonds available for sale from Advantis Broker.

The value of shares of "Kosig Dunav osiguranje" Banja Luka has reduced by CM 206,989. Booked value is the market value of shares of "Kosig Dunav osiguranje" Banja Luka at Banja Luka Stock Exchange (BLSE) on the December 31, 2010.

The value of shares of "Krajina osiguranje" Banja Luka has increased by CM 7,225. Booked value is the market value of the shares at BLSE on the December 31, 2010.

## **10.1 SHORT-TERM FINANCIAL PLACEMENTS**

<b>In CM</b>	<b>31.12.2010.</b>	<b>31.12.2009.</b>
Short- term loans	84,015	76,471
Other short-term financial placements	0	0
Correction of value of short-term loans	(51,102)	(31,407)
	<b>32,913</b>	<b>45,064</b>

Amount of CM 84,015 relates to current portion of long-term housing loans.

On December 31, 2007, a provision of CM 22,465 booked for risky receivables for short-term housing loans has been reduced by 162 CM (for paid loan) by December 31, 2008 and by CM 700 (for paid loan) by December 31, 2010. On the December 31, 2010, CM 13,496 was booked as the correction of value (short-term housing loans – not paid off.)

**11. INVENTORIES**

	<b>31.12.2010.</b>	<b>31.12.2009.</b>
<b>In CM</b>		
Raw materials	2,647,528	1,788,724
Spare parts	1,845,451	2,126,107
Tools and inventory	16,067	10,891
Fuel and lubricant	87,224	86,055
Work in progress	565,663	1,099,072
Finished products	227,209	242,770
Commercial goods	5,828	3,627
Advances to suppliers	45,297	79,874
	5,440,267	5,437,120
Less: Allowance for impairment (Note 15):		
- materials and spare parts	(363,229)	(363,229)
- advances to suppliers	(44,381)	(44,381)
	(407,610)	(407,610)
	<b>5,032,657</b>	<b>5,029,510</b>

**12. ACCOUNTS RECEIVABLE**

	<b>31.12.2010.</b>	<b>31.12.2009</b>
<b>In CM</b>		
Accounts receivable:		
- domestic	6,449,230	5,762,733
- foreign	74,992	46,680
	6,524,222	5,809,413
Less: Allowances for impairment of domestic accounts receivable (provision) (Note 14)	(3,553,640)	(3,261,243)
	<b>2,970,582</b>	<b>2,548,170</b>

### 13. OTHER CURRENT RECEIVABLES AND PREPAYMENTS

<b>In CM</b>	<b>31.12.2010.</b>	<b>31.12.2009.</b>
Receivables from associates for shortages	126,498	126,548
Contested receivables for interests	66,127	66,127
Prepaid taxes and contributions	120,848	86,458
Receivables from employees	3,729	2,280
Other receivables	12,481	38,037
Prepayments	68,104	61,164
Value added tax	38,907	36,690
	<b>436,694</b>	<b>417,304</b>
Less: Correction of value:		
- receivables from associates for shortages	(126,210)	(126,210)
- other receivables	-	-
- for interest	(66,127)	(66,127)
	<b>(192,337)</b>	<b>(192,337)</b>
	<b>244,357</b>	<b>224,967</b>

Prepaid taxed and contributions of CM 6,053 refer to payment of customs fee of CM 6,053 for equipment that is to be registered as osnivački ulog (RJ-04/05-3/1-2017-143-15,2/07), dated February 28, 2007. We have submitted a request to be exempt from customs fee payment, however, the proceedings are still underway. Amount of CM 114,799 relates to VAT reduced on the bases of credit notes to customers for annual rebates.

Amount of CM 66,127 is a contested receivable from Integral for the interest we have charged him,

Other receivables amounting to CM 12,895 relate to sick leave, which has not been refunded by the Health Insurance Funds Banja Luka.

Other receivables amounting to CM 12,481 relate to sick leave that has not been refunded by the Health Security Fund Banja Luka.

As of December 31, 2010 accruals in the amount of CM 55,086 entirely relate to deferred expenses for insurance of property and persons, based on the Insurance Agreement entered into with Kosig Dunav osiguranje A.D. Banja Luka for one-year period commencing on March 31, 2010.

### 14. MOVEMENTS ON PROVISIONS

<b>In CM</b>	<b>Inventories</b>	<b>Advances to Suppliers</b>	<b>Accounts Receivable</b>	<b>Other Receivables</b>	<b>Total</b>
Balance, beginning of year	363,229	44,381	3,261,243	243,597	3,912,450
Charge for the current period	-	-	920,862	13,496	934,358
Reversal of provision	-	-	(628,465)	(700)	(629,165)
<b>Balance, end of year</b>	<b>363,229</b>	<b>44,381</b>	<b>3,553,640</b>	<b>256,393</b>	<b>4,217,643</b>

## 15. CASH AND CASH EQUIVALENTS

	<b>31.12.2010.</b>	<b>31.12.2009.</b>
<b>In CM</b>		
Local currency account	2,429,259	324,767
Cash in hand	3,218	1,532
Foreign currency account	7,469	906
	<b>2,439,946</b>	<b>327,205</b>

## 16. SHARE CAPITAL

Based on the December 20, 2002 Decision of the Government of the Republic of Srpska, the state-owned capital of the Company was transformed in the aggregate amount of CM 39,454,774 of which 28,22 percent of the Company's share capital was distributed to internal shareholders, whereas 7,18 percent of the equity was privatized by means of a voucher privatization offering. The remaining 64,60 percent of equity is comprised of: state-owned portion of 53,81 percent, Pension Fund 7,20% and Restitution Fund portion of 3,59 percent. Pursuant to the Decision of the Government of the Republic of Srpska of February 3, 2005, the state-owned portion of capital will be privatized on the basis of a Government of the Republic of Srpska Special Privatization Program, in accordance with Article 7 of the Law on the Privatization of State-Owned Capital in Enterprises (See "Official Gazette of RS," numbered 24/98, 62/02, 38/03 and 65/03). The status changes relating to the Company's ownership transformation have been registered with the Court of First Instance of Banja Luka pursuant to Decision numbered U/I-143/2003 of February 19, 2003.

During 2003 and 2004, increases in share capital were performed from the Company's retained earnings in the amounts of CM 3,825,934 and CM 4,415,595, respectively. The aforementioned changes in equity were registered with the Court of First Instance of Banja Luka on July 11, 2003 and on August 27, 2004.

On December 28, 2005, an Agreement on the Sale of the State-Owned Capital was entered into between the Republic of Srpska Directorate of Privatization and Altima Global Special Situations Fund Ltd, Cayman Islands. In accordance with the terms of the aforesaid agreement, the subject of sale is the state-owned capital stake which represents 53,81 percent of the core capital of the Company, comprised of 25,662,800 ordinary shares with an individual nominal value of CM 1,00. The sale price of the state-owned stake in the capital was CM 23,000,000.

On January 26, 2006, the Company's Shareholders' Assembly elected a new Management and Supervisory Board, into which representatives of the new majority owner were named. On March 10, 2006, the Securities Commission of the Republic of Srpska enacted Decision numbered 01-03-RE-737/06 with respect to the inscription of the new Company Director, and the new members of the Company's Management and Supervisory Board.

Based on the Decision of the Assembly no, 01-70/06 dated 03/07/2006 on the increase of the basic capital through new investments in cash and no, 01-70-1/06 dated 03/07/2006, on the fourth issue of shares by means of a sealed offer to the known buyer, dated 03/07/2006 the fourth issue of shares was carried out, **17,500,000** of prioritized, participative-cumulative shares, "B" class, with no right to vote were issued, exchangeable for common shares, nominal value of 1,00 KM per share.

The shares were sold to the buyer **Altima UK Value Investments Limited, George Town, Grand Cayman, Cayman Islands**, at the price of 1,20 KM per share, or for the total amount of

21,000,000 KM, The buyer became the owner of 17,500,000 shares, whereas 3,500,000 KM represents an issue premium. The shares were fully paid for in cash.

The share capital structure as per the Shareholder Register which the Company maintains with the Centralni registar hartija od vrijednosti A,D, Banja Luka [Central Securities Registry] as of 31 December 2009 and 31 December 2010 is as follows:

<b>In CM</b>	<b>31, December 2010</b>	<b>31, December 2009</b>	<b>2010 %</b>
Altima Global Special Situations Fund Ltd,	25,662,800	25,662,800	39,4%
Internal shareholders and shareholders based voucher privatization offer	16,886,469	16,886,469	25,9%
Pension and Disability Fund	3,434,143	3,434,143	5,3%
Share capital – priority shares (Altima UK Value Investments Ltd,)	17,500,000	17,500,000	26,8%
Restitution Fund	1,712,891	1,712,891	2,6%
	<b>65,196,303</b>	<b>65,196,303</b>	<b>100,0%</b>

The individual nominal value of a share as of 31 December 2009 and 31 December 2010 is CM 1, 00.

The Company's shares are listed on Securities Exchange in Banja Luka. The market value of the share as of 31 December 2010 amounted to CM 0,365.

#### **17. LONG-TERM BORROWINGS AND SHORT-TERM FINANCIAL LIABILITIES**

<b>In CM</b>	<b>31, December 2010</b>	<b>31, December 2009</b>
Long-term loans	21,082,741	21,157,000
Less: Current portion of long-term liabilities	(4,630,409)	(4,753,529)
	16,452,332	16,403,471
Financial lease	139,059	-
Less: Short term lease	(52,099)	-
	86,960	-
	<b>16,539,292</b>	<b>16,403,471</b>

<b>In CM</b>	<b>31, December 2010</b>	<b>31, December 2009</b>
Short-term financial liabilities <sup>(a+b+c)</sup>	15,494,265	13,315,396

*"Banjalučka pivara" a.d. Banja Luka*  
*Notes to the Financial statements*

<b>In CM</b>	<b>Maturity Date</b>	<b>Interest Rate</b>	<b>Initial Amount in Currency</b>	<b>Outstanding on 31.12.2010.</b>	<b>Outstanding on 31.12.2009.</b>
Hypo Alpe Adria Bank A,D, Banja Luka (d)	July 1, 2016	6 month EURIBOR + 4% p.a.	20,000,000 CM	17,307,117	17,307,117
Hypo Alpe Adria Bank A,D, Banja Luka (e)	July 1, 2011	6 month EURIBOR + 4% p.a.	2,660,000 CM	1,094,302	1,094,302
Hypo Alpe Adria Bank A,D, Banja Luka (f)	July 1, 2011	6 month EURIBOR + 4% p.a.	2,000,000 CM	1,175,999	1,175,999
Hypo Alpe Adria Bank A,D, Banja Luka (g)	July 1, 2011	6 month EURIBOR + 4% p.a.	1,239,031 CM	815,846	815,846
Finance leasing (h)	April 1, 2013	3 month EURIBOR + EKS	163,460	139,059	25,059
	November 1, 2010	-	48,115	-	14,701
Bolero, Dobož <sup>(i)</sup>	March 10, 2012	-	513,451	489,002	501,227
Riverwood, Germany <sup>(i)</sup>	January 10, 2020	-	110,544	99,490	110,544
Grad, Banja Luka <sup>(k)</sup>	January 10, 2020	-	112,205	100,984	112,205
Grad, Banja Luka <sup>(l)</sup>					
				<b>21,221,800</b>	<b>21,157,000</b>
Current portions				(4,682,508)	(4,753,529)
				<b>16,539,292</b>	<b>16,403,471</b>

Considering results of business operations and inability to defray credit liabilities, i.e. inability to repay the principal of the existing loans, the Company has been restructuring its credit obligations for years. As means of security for repayment of the loans with Hypo Alpe Adria Bank, the Company notarized corresponding promissory notes "without protest" and transfer orders. Also, the Company entered pledge on business facilities and land within beer production area of the factory as well as the right of pledge on equipment, which was purchased from these loans.

By the end of 2010, negotiations on restructuring of the Company's credit obligations resulted in the approval of moratorium on repayment of principal and extension of duration of Financial framework loan. Moratorium on repayment of principal expires on June 30, 2011. By that date, a new, temporary interest rate has been set. Namely, the Bank reduced its margin to 4% and now, the interest rate on long-term loans is 6-month EURIBOR (rounded to first higher quarter) + 4% margin, and 5% on short-term loans.

In line with the approved credit conditions, short-term credit obligations towards Hypo Bank have been reduced in 2010. CM 500,000 was paid to Hypo Bank Mostar, which reduced the previous debt of CM 4,000,000 to CM 3,500,000. As for Hypo Bank Banja Luka, Financial framework loan has also been reduced by CM 500,000 from previous CM 6,000,000 to the new CM 5,500,000.

Within the agreement on restructuring of its credit obligations, an agreement on the write-off of penalty interest has also been reached (as of December 01, 2010 penalty interest for Hypo Bank Banja Luka amounted to CM 338,941.00, and for Hypo Bank Mostar, it amounted to CM 347,465.25), under condition that in the following 5 years, the Company will not be late in servicing its credit obligations towards the Bank later than the 20th of the month. Also, in case that the Company reaches an annual level of EBITDA in excess of CM 10 million during the period of regular repayment of its obligations towards the Bank and by the December 31, 2014 the latest, the Company will repay 50% of the concerned penalty interest in a way which will be established later (through the increase of regular interest rate or as a one-time accrued fee, principal, etc).

After the expiration of moratorium (July 01, 2011), all short-term loans by Hypo Bank (a+b), long-term loans e,f and g and the first of 61 monthly installments of the long-term loans are due for payment. However, the Company has met all conditions in relation to the restructuring of credit obligation from 2010 and negotiations on the new negotiations on the restructuring continue (during the negotiations with the Bank in 2010 it has been noted that, in case of a positive development, the existing credit obligations should finally be restructured). It is expected that an agreement on restructuring of credit obligations will be reached with the Bank.

- a) On December 31, 2010, the Company Management signed with Hypo Alpe Adria Bank D.D. Mostar, an Annex to the Contract on approving financial framework loan no: 6033-1-05228/07 from February 26, 2007, which reduces the approved Framework from CM 6,000,000 to CM 5,500,000. From that Framework, an overdraft loan amounting to CM 2,500,000 is approved (as of December 2010 the overdraft was used in the amount of CM 2,344,443). From this Framework, a short-term loan amounting to CM 3,000,000 was also



approved (it was used for closing the old one). Both loans from the Framework are due for payment on June 29, 2011 and the interest rate to these loans is 5%. In addition, a monthly fee of 2% annually is accrued to the unused part of the overdraft loan.

- b) On July 15, 2010, the Company Management signed a Contract on approval of framework financial loan of CM 4,000,000 with interest rate 5% at the annual level. Two short term loans were approved from the Framework (which are used for closing the previous credit obligations) in the amount of CM 500,000 with maturity on December 31, 2010 (this loan is paid off), and CM 3,5 million with maturity on June 29, 2011.
- c) **Altima**  
On February 29, 2008 the Company Management signed Contracts on short-term loans with related legal entities: a loan of EUR 750,000 maximum with Altima Global Special Opportunities Master Fund Ltd and a loan of EUR 2,250,000 maximum with Altima Global Special Situations Master Fund Ltd with interest rate of three – month EURIBOR + 5,00%. As of December 31, 2009, loans were used in the full amount of 5,867,490 CM. Loans are approved for financing of working capital. In February 2010, the Company received borrowings for financing of working capital in the amount of CM 782,332 with interest rate of three-month EURIBOR +5,00% annual.
- d) A loan from Hypo Alpe Adria Bank A.D. Banja Luka totalling to 20,000,000 CM was approved for the construction of and equipping the beer filling and bottling facility (“bottling”). The current portion of this loan is CM 1,509,763 as of December 31, 2010.
- e) A loan from Hypo Alpe Adria Bank A.D. Banja Luka totalling CM 2,660,000 was approved for long-term working capital. The current portion of this loan is CM 1,094,302 as of December 31, 2010.
- f) A loan from Hypo Alpe Adria Bank A.D. Banja Luka totalling CM 2,000,000 was approved for the purpose of financing the completion of construction of the access bridge in Banja Luka. The current portion of this loan is CM 1,175,999 as of December 31, 2010.
- g) A loan from Hypo Alpe Adria Bank A.D. Banja Luka totalling CM 1,239,031 was approved for long-term working capital and the repayment of debt, which was due to Zepter bank. The current portion of this loan is CM 815,846 as of December 31, 2010.
- h) Long-term liabilities under financial leasing relate to purchase of vehicles as follows: IVECO DAILY 65C15V – 1 pcs (Cargo)

Obligations under other vehicles that were purchased in previous years through financial leasing, are repaid in their full amount.

- i) Bolero – loan relates to assumed liability of paying expenses for adaptation and reconstruction of business facilities in Dobož which has been rented to “Bolero” Dobož according to contract 1254/07 from 21.08.2007. Works on reconstruction amount to CM 41,145,25- VAT not included.  
As of December 31, 2010 obligations towards this loan have been paid.
- j) Riverwood – loan according to contract 130/08 from 17.11.2008, in the amount of CM 513,451 relates to payment of packaging machine. The current portion of this loan is CM 12,224 as of December 31, 2010.
- k) Town Banja Luka – loan relates to debt for utility fee from December 31, 2008, according to the contract on debt rescheduling from December 16,2009. The current portion of this loan is CM 11,054 as of December 31, 2010.
- l) Town Banja Luka – loan relates to a debt for use of construction land from May 16, 2003, according to the contract on debt rescheduling from December 16, 2009. The current portion of this loan is CM 11,221 as of December 31, 2010.

Maturities of long-term loans are as follows:

<b>In CM</b>	<b>31, December 2010</b>	<b>31, December 2009</b>
Current portions	4,682,508	4,753,592
From one to two years	3,723,927	2,755,477
From two to three years	3,324,929	2,934,866
From three to four years	3,498,318	2,665,131
From four to five years	3,703,085	6,023,284
After five years	2,289,033	2,024,713
Total portion of long-term loans and other long-term liabilities	16,539,292	16,403,471
<b>Current portions and long-term liabilities</b>	<b>21,221,800</b>	<b>21,157,000</b>

**18. LONG-TERM PROVISIONS**

<b>In CM</b>	<b>31, December 2010</b>	<b>31, December 2009</b>
Provisions for severance payments	-	139,098
Provisions for rebates	9,042	9,042
Provisions for dividend on preference shares	2,256,781	1,731,781
Invoices booked in 2011	40,211	39,962
	<b>2,306,034</b>	<b>1,919,883</b>

The company provided CM 2,256,781 for dividend for preference shares defined as 3% of nominal share value, reported in the Income Statement as a part of other finance expenses and covering the period from the disbursement of 21,000,000 paid for the purchase of 17,500,000 preference shares till 30<sup>th</sup> June 2010 (please, see note 16).

Amount of CM 40,211 relates to the invoices dated January, 2011. The expense relates to 2010.

**19. ACCOUNTS PAYABLE**

<b>In CM</b>	<b>31, December 2010</b>	<b>31, December 2009</b>
Accounts payable:		
- Domestic accounts payable	1,544,461	1,601,409
- Foreign accounts payable	2,490,085	2,366,969
	<b>4,034,546</b>	<b>3,968,378</b>

**20. OTHER CURRENT LIABILITIES**

<b>In CM</b>	<b>31, December 2010</b>	<b>31, December 2009</b>
Liabilities for VAT	330,429	149,848
Other liabilities	41,931	24,610
Advances received	66,767	67,222
Excise liabilities	451,546	417,734
Other taxes	17,234	-
Accrued salaries and other payments to employees	234,538	255,622
Accrued interest	1,122,105	240,898
Liabilities for water usage and compensation for forest	15,473	21,650
Accrued taxes and contributions on employee salaries	124,826	135,729
Accrued expenses	29,369	65,208
Contributions to chambers	7,117	6,648
Liabilities for other taxes, contributions and levies	584,045	608,414
	<b>3,025,380</b>	<b>1,993,583</b>

**21. LITIGATION**

The Company is involved in various legal proceedings that have been filed by its suppliers in which it has been named as a defendant. As of December 31, 2010, the damages sought in legal actions initiated by the Company against its debtors amounted to CM 3,559,578. Legal actions in which the Company is a defendant as of December 31, 2010 amount to CM 471,501 without effects of possible penalty interest.

The Company's management judges that material losses are not likely to be sustained, hence a provision for potential losses arising in connection with the pending litigation has not been recorded in the financial statements for the year 2010.

**22. COMMITMENTS**

In accordance with the provisions of the Agreement on Commercial Co-operation ref, 01-25/03 dated on May 5, 2003 entered into with the Razvojna Banka Jugoistocne Evrope A, D., Banja Luka, the Company has assumed an obligation to deposit to a non-interest-earning account the amount of CM 1,000,000 for a fixed term of 15 years, to serve as security on long-term loans that the Razvojna Banka has agreed to extend to the Company's employees. As of the date of issuance of the accompanying financial statements, the Company has deposited the total amount of CM 257,500 in favor of the contractual deposit (Note 10).

## 23 RELATED LEGAL ENTITIES

The Company is related party with its parent companies and its directors and managers.

During 2010, the Company had transactions with related parties as follows:

<b>In CM</b>	<b>31, December 2010</b>	<b>31, December 2009</b>
<b>ASSETS</b>	-	-
<b>LIABILITIES</b>	1,765,790	1,323,037
<b>REVENUES</b>	-	
<b>COSTS</b>	638,366	567,244

The amount of CM 638,366 relates to expenses of consultancy services provided by Altima UK Value Investments Ltd in 2010 based on the contract signed between the Company and Altima UK Value Investments Ltd on 31<sup>st</sup> October 2006. The outstanding liabilities of CM 1,765,790 were generated by these expenses. The charges in respect of the services were determined on arm's length basis.

## 24. REMUNERATION TO MANAGERS

<b>In CM</b>	<b>31, December 2010</b>	<b>31, December 2009</b>
Salaries and other short-term remuneration		
- Management Board	84,693	24,712
- Managing Director	78,486	78,967
<b>Total</b>	<b>163,179</b>	<b>129,159</b>

The management of the Company consists of the Managing Director and of executive managers.

## 25. EVENTS FOLLOWING BALANCE SHEET DATE

In the period following the balance sheet date, there have been no events that would require any changes to what has already been stated in the notes to accompany the financial reports or that would require publishing in financial reports or notes to accompany the financial reports,