

“Banjalučka Pivara” a.d. Banja Luka

Annual financial report 31 December 2012

This version of the report is a translation from the original, which was prepared in the Serbian language. In all matters of interpretation of information, views or opinions, the original language version of the report takes precedence over this translation.

“Banjalučka pivara” a.d. Banja Luka

Annual financial report

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Management's Report

Management submits their report together with the audited financial statements for the year ended 31 December 2012.

Principal activity

The brewery Banjalučka Pivara a.d. Banja Luka (hereinafter "Company") was originally founded in 1873, and it was nationalized in 1950. From 1975 the Company has entered into the composition of agro-industrial agricultural complexes Bosanska Krajina.

By the decision made by the Government of Republic of Srpska on the 3 February 2005 a special program for the privatization sale of the state capital was approved (53.81% of total capital) using method with various conditions of tender.

Management responsibility

Management is required to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company and of the results of its operations and cash flows for that year, in accordance with applicable accounting standards, and is responsible for maintaining proper accounting records to enable the preparation of such financial statements at any time. Management has a general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Management is responsible for selecting suitable accounting policies to conform with applicable accounting standards and then apply them consistently; make judgements and estimates that are reasonable and prudent; and prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

Having made appropriate enquiries, Management consider that the Company has sufficient resources to continue its business for the foreseeable future and accordingly the accounts have been prepared on a going concern basis. Further details are disclosed in note 2.

The financial statements were authorised by Management for issue and are signed below to signify this.

March 2013

Director

Nicholas Penny





Independent Auditor's Report to the shareholders of Banjalučka pivara a.d. Banja Luka

We have audited the accompanying financial statements of Banjalučka Pivara a.d. Banja Luka (hereinafter "Company") which comprise the statement of financial position as at 31 December 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended 31 December 2012, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting framework of the Republic of Srpska, 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.

Auditor's responsibility

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2012, and of its financial performance and its cash flows for the year in accordance with the financial reporting framework of the Republic of Srpska.

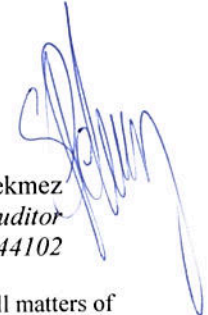
KPMG B-H d.o.o. za reviziju
Podružnica Banja Luka
Jovana Dučića 13
78000 Banja Luka,
Republic of Srpska, Bosnia and Herzegovina

06 March 2013

For and on the behalf of KPMG B-H d.o.o za
reviziju:


Vukotić Vedran
Head of the Banjaluka Branch Office




Senad Pekmez
FBiH certified auditor
Licence No 3090044102

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“Banjalučka pivara” a.d. Banja Luka

Statement of comprehensive income for the year ended 31 December 2012

	<i>Note</i>	2012 BAM	2011 BAM
Revenue	4	33,385,161	24,082,363
Other income	5	1,278,669	875,476
Total revenue		34,663,830	24,957,839
Changes in inventory		571,679	604,462
Raw materials, consumables and services used	6	(14,815,765)	(11,021,865)
Staff costs	7	(5,465,340)	(5,125,440)
Depreciation and amortisation expense	11,12	(6,379,775)	(5,932,654)
Other operating expenses	8	(7,699,934)	(5,944,996)
Total operating loss		874,695	(2,462,654)
Financial income	9	2,453	3,012
Financial expenses	9	(2,114,803)	(2,533,672)
Net financial loss	9	(2,112,350)	(2,530,660)
Loss before taxation		(1,237,655)	(4,993,314)
Income tax expense	10	-	-
Loss for the year		(1,237,655)	(4,993,314)
Other comprehensive income: Change in fair value of available-for-sale securities		(54,722)	(50,931)
		(1,292,377)	(5,044,245)
Total comprehensive loss for the year		=====	=====
Loss per share		(0,23)	(0,89)
		=====	=====

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Statement of financial position

As at 31 December 2012

	<i>Note</i>	2012 BAM	2011 BAM
ASSETS			
Intangible assets	<i>11</i>	5,942,576	5,956,091
Property Plant and Equipment	<i>12</i>	29,513,218	30,444,532
Long term financial assets	<i>13</i>	448,748	479,236
Total non-currents assets		35,904,542	36,879,859
<hr/>			
Inventories	<i>14</i>	4,623,054	5,181,417
Trade receivables	<i>15</i>	3,837,618	2,859,255
Other receivables		123,193	285,532
Cash and cash equivalents	<i>16</i>	66,590	102,396
Total current assets		8,650,455	8,428,600
Total assets		45,554,997	45,308,459
<hr/>			
Loss over capital		614,864	-
Total assets		45,169,861	45,308,459
<hr/>			
EQUITY AND LIABILITIES			
Equity			
Share capital	<i>17</i>	5,680,693	5,680,693
Fair value reserve		(64,588)	(9,866)
Accumulated losses		(5,616,105)	(4,993,314)
Total equity (without loss over capital)		-	677,513
<hr/>			
Liabilities			
Long-term liabilities			
Loans and borrowings	<i>18</i>	12,965,818	14,891,472
Other long-term provisions	<i>19</i>	3,011,714	2,878,075
Total long-term liabilities		15,977,532	17,769,547
Short-term liabilities			
Loans and borrowings	<i>18</i>	18,280,376	18,862,031
Trade payables and other payables	<i>20</i>	10,911,953	
Total short-term liabilities		29,192,329	26,861,399
Total liabilities		45,169,861	44,630,946
Total equity and liabilities		45,169,861	45,308,459
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The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Statement of changes in equity

On 31 December 2012

	Issued Capital	Fair value Reserve	Other Reserves	Retained earnings/(loss)	Total capital/(loss over capital) BAM
	BAM	BAM	BAM	BAM	BAM
As at 1 January 2011	65,196,303	41,066	9,556,800	(69,072,410)	5,721,759
Transfers (Note 17)	(59,515,610)		(9,556,800)	69,072,410	-
Loss for the year	-	-	-	(4,993,314)	(4,993,314)
Change in fair value of available-for-sale securities	-	(50,932)	-	-	(50,932)
As at 31 December 2011	5,680,693	(9,866)	-	(4,993,314)	677,513
As at 1 January 2012	5,680,693	(9,866)	-	(4,993,314)	677,513
Loss for the year	-	-	-	(1,237,655)	(1,237,655)
Change in fair value of available-for-sale securities	-	(54,722)	-	-	(36,004)
As at 31 December 2012	5,680,693	(64,588)	-	(6,230,969)	(614,864)

The accompanying notes form an integral part of these financial statements

“Banjalučka Pivara” a.d. Banja Luka

Statement of cash flows

for the year 2012

	2012 BAM	2011 BAM
Cash flows from operating activities		
Cash receipts from customers and received advance payments	45,307,095	34,229,569
Other cash received from operating activities	599,510	428,728
Cash paid to suppliers - raw materials, expenses and advanced payments	(7,831,387)	(20,677,525)
Cash paid to and on behalf of employees	(5,354,773)	4,929,956
Interest paid	(1,643,568)	(1,590,200)
Non-income taxes and other duties paid	(11,009,028)	(9,291,574)
<i>Net cash from operating activities</i>	7,221,711	1,942,208
Cash flow from investing and placement activities		
Increase in short-term financial placements	29,237	39,707
Interest received	2,442	2,543
Decrease in other long-term financial placements	(68,907)	(9,856)
Purchases of property, plant and equipment	5,102,975	(1,225,336)
<i>Net cash from investing activities</i>	(5,140,203)	(1,192,942)
Financing activities		
(Decrease)/Increase in short-term borrowings	(2,117,314)	(3,086,816)
<i>Net cash from financing activities</i>	(2,117,314)	(3,086,816)
Net increase/(decrease) in cash and cash	(35,806)	(2,337,550)
Cash and cash equivalents at the beginning of the year	102,396	2,439,946
Cash and cash equivalents at the end of the year	66,590	102,396

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statements (*continued*)

1 Reporting entity

The company 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 ownership “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 17.

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

2 Basis of preparation

(a) Going Concern

The financial statements have been prepared in accordance with the principle of going concern, which implies that the Company will continue its operations for an indefinite period in the foreseeable future.

As at 31 December 2012, the Company’s current liabilities exceed current assets by BAM 20,541,874 (2011: 18,432,798) and the Company has loss above capital amounting to BAM 614,864. Significant current liabilities include bank loans of BAM 11,502,317 (the majority of which mature during June 2013) and majority shareholder related loans of BAM 6,649,823 as disclosed in Note 18.

With respect to the current bank loans, by the end of 2012 the Company reached an agreement with banks to reschedule bank loans according to which the previously agreed maturity (end of 2012) is extended to the mid 2013. In the forthcoming period, the Company will continue negotiations with banks regarding renewal of loan contracts and re-extending of maturity dates. Based on historical agreements and the successful conclusion of past and recent negotiations, and current indications that the banks have intention to renew Contracts on the bank loans as well as to re-extend its maturity, Management believe there is no significant uncertainty that mutual agreement will not be reached positively for the Company.

Management also reasonably believe that the majority shareholder will provide financial assistance if required and will not demand repayment of current loan obligations due to them. Historical and current indications of support from the majority shareholder do not provide indications of significant uncertainty related to such continued and continuing financial and operational support.

Given the fact that, as of 31 December 2012, there is a loss above capital amounting to BAM 614,864, Management is also in discussion with shareholders with a view to raising additional capital.

Accordingly, Management believe it is reasonable to and appropriate to prepare the financial statements on a going concern basis and that there is no significant uncertainty to indicate otherwise. If for any reason, the Company is unable to continue as a going concern, it would have an impact on the Company’s ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements.

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statements (*continued*)

2 Basis of preparation (*continued*)

(b) *Statement of compliance*

The financial statements have been prepared in accordance with the Financial Reporting Framework of the Republic of Srpska.

The Financial Reporting Framework includes the Law on accounting and auditing of the Republic of Srpska (Official Gazette of the RS 36/09), accounting standards that apply in the Republic of Srpska, published by the Association of Accountants and Auditors of the Republic of Srpska (under the authority of the Commission for the accounting and auditing of BiH, Official Gazette of BiH, 5/07) and the Regulations on the form and content of financial statements for the companies (Official Gazette RS 84/09, 120/11).

(c) *Basis of measurement*

The financial statements have been prepared on the historical cost basis, unless otherwise stated.

(d) *Functional and presentation currency*

The financial statements are prepared in the currency of Bosnia and Herzegovina, Convertible mark (BAM), which is the Company’s functional currency.

(e) *Use of estimates and judgements*

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses as disclosed in financial statements. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) *Foreign currencies*

Transactions in foreign currency are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated into functional currency at foreign exchange rates ruling at the dates at which the values were determined. Non-monetary assets and items that are measured in terms of historical cost of a foreign currency are not retranslated.

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statements (*continued*)

3 Significant accounting policies (*continued*)

(b) *Financial instruments*

Non-derivative financial instruments comprise trade and other receivables, loans and deposits, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, that is, the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Gains and losses arising from changes in fair value are recognized directly in equity in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognized directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized in the investments revaluation reserve is included in profit or loss for the period. Equity instruments classified as available for sale that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less impairment.

Cash and cash equivalents for the purpose of preparation of cash flow statement and balance sheet.

(c) *Property, plant and equipment*

(i) *Recognition and measurement*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(ii) *Subsequent expenditure*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) *Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

The estimated useful lives are as follows:

Buildings	20 to 77 years
Plant and equipment	5 to 14 years

Depreciation method, useful lives and residual values are reassessed at the reporting date.

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statements (*continued*)

3 Significant accounting policies (*continued*)

(d) *Intangible assets*

(i) *Intangible assets*

Intangible assets are measured initially at cost. After initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The rate of amortisation used for intangible assets is based on the estimated useful life.

(ii) *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the income statement when incurred.

(iii) *Amortisation*

Amortisation is recognised in profit and loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use.

Depreciation method, useful lives and residual values are reassessed at the reporting date.

(e) *Inventories*

Inventories are stated at the lower of cost and net realisable value. Inventories are valued based on purchase price and include the costs of bringing the inventories to a condition ready for use, using the weighted average cost principle.

In the case of manufactured inventories and work in progress, costs include an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling expenses.

(f) *Impairment*

The carrying amounts of the Company’s assets, other than inventories and deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset’s recoverable amount is estimated.

For intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statements (*continued*)

3 Significant accounting policies (*continued*)

(g) Provisions

A provision is recognised when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(h) Loans and borrowings

Interest bearing loans and borrowings are recognised initially at fair value of the proceeds received, less attributable transaction costs. In subsequent periods, interest bearing loans and borrowings are stated at amortised cost using the effective interest method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement as interest expense over the period of the borrowings on an effective interest basis.

(i) Employee benefits

(i) Defined contributions pension fund

Obligations for contributions to defined contribution pension funds are recognised as an expense in the income statement when they are due, which is the period during which services are rendered by employees.

(ii) Retirement benefits

The Company's net obligation in respect of retirement benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The discount rate is the average interest rate on loans of commercial banks, whose maturity dates are approximately the same in terms and conditions of the liabilities of the Company.

(j) Revenue

Goods sold and services rendered

Revenue from sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Revenue from services is recognised in the income statement in proportion to the stage of completion of the transaction at the reporting date.

Revenue from the sale of goods is generally recognised at the date the goods are delivered and represents the net invoiced value of goods and excludes value added taxes.

(k) Financial income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets) and positive changes in the fair value of financial instruments at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and negative changes in the fair value of financial instruments at fair value through profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method. Foreign currency gains and losses are reported on a gross basis.

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statements (*continued*)

3 Significant accounting policies (*continued*)

(l) *Lease payments made*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(m) *Income tax expense*

Corporate income taxes are computed on the basis of reported income under the laws and regulations of Republic of Srpska.

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(n) *Earnings per share*

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

(o) *Comparative information*

Where necessary comparative information has been reclassified to ensure consistency with current year presentations and disclosures.

“Banjalučka pivara” a.d. Banja Luka
Notes to financial statements (continued)

4	Revenue		
		2012	2011
		BAM	BAM
	Revenue from the sale of products - domestic	32,665,992	23,620,630
	Revenue from the sale of products - foreign	595,349	438,518
	Revenue from the sale of goods - domestic	123,820	23,215
		33,385,161	24,082,363
		=====	=====
5	Other income		
		2012	2011
		BAM	BAM
	Recovery of bad debts	393,444	624,651
	Income from own work capitalized	18,764	79,936
	Income from lease	27,705	45,488
	Surpluses	229,931	20,214
	Income from reduced liabilities for packer	157,440	-
	Difference from paid and accep. securities for repay. of tax liabilities	45,241	32,574
	Income from collected payment for damages	35,411	-
	Other	370,733	875,476
		1,278,669	875,476
		=====	=====
6	Consumables and services used		
		2012	2011
		BAM	BAM
	Raw materials	10,955,179	7,843,389
	Fuel and energy	2,267,086	1,823,278
	Other materials	1,498,544	1,331,259
	Goods sold at cost	94,956	23,939
		14,815,765	11,021,865
		=====	=====

“Banjalučka pivara” a.d. Banja Luka
Notes to financial statements (continued)

7 Staff costs

	2012	2011
	BAM	BAM
Wages and salaries	2,770,966	2,637,281
Contributions and taxes	1,817,947	1,731,427
Other staff costs	876,427	756,732
	5,465,340	5,125,440

As of December 31, number of employees was 230 (2011: 239 employees). Other staff costs include costs of meals, transportation, costs of the Management Board, vacation allowances, severance payments for retirement, jubilee awards, severance payments for termination of employment and per diem.

Staff costs include BAM 1,531,353 KM (2011: BAM 1,460,213) of contributions paid into the social funds of the Republic of Srpska.

8 Other operating expenses

	2012	2011
	BAM	BAM
Advertising and other marketing services	1,833,694	1,728,779
Transportation	1,202,457	1,047,389
Non-productive service	1,073,863	961,574
Entertainment and promotional costs	554,584	523,155
Impairment of receivables	523,119	467,002
Maintenance	571,064	376,691
Insurance premium	175,059	216,469
Losses from disposal of materials and goods	98,358	146,361
Tax	241,242	139,374
Banking services	50,624	91,429
Other provisions	174,680	66,824
Losses from disposal of fixed assets	875,839	54,467
Other miscellaneous costs	42,596	37,676
Contributions costs	13,023	11,780
Deficits	17,828	11,639
Membership fees	-	10,800
Rent	13,145	8,800
Losses from sale of materials	-	330
Other	142,784	44,457
Impairment	95,975	-
	7,699,934	5,944,996

“Banjalučka pivara” a.d. Banja Luka
Notes to financial statements (continued)

9 Financial income and expenses

	2012	2011
	BAM	BAM
Interest income	2,442	2,928
Foreign exchange gains	11	84
Total financial income	2,453	3,012
Interest expense	(2,045,074)	(2,048,512)
Foreign exchange losses	(130)	(98)
Preference share finance costs	(45,744)	(485,062)
Other expenses	(23,855)	-
Total financial expenses	(2,114,803)	(2,533,672)
Net financial expenses	(2,112,350)	(2,530,660)
	<u> </u>	<u> </u>

10 Income tax expense

	2012	2011
	BAM	BAM
Loss before taxation	(1,237,655)	(4,993,314)
Tax at rate of 10%	(123,766)	(499,331)
Non-deductible expenses	101,499	129,220
Tax loss not recognized as deferred tax asset	22,267	370,111
Income Tax	<u> </u>	<u> </u>
	-	-
Effective tax rate	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>

The Company has significant tax losses which are not recognised as a deferred tax asset and or not disclosed further, as the utilisation of these tax losses in future periods is uncertain.

“Banjalučka pivara” a.d. Banja Luka
Notes to financial statements (*continued*)

11 Intangible assets

	Permanent right to land BAM	Other rights BAM	Total BAM
<i>At Cost</i>			
Balance as at 1 January 2011	5,810,056	14,803	5,824,859
Additions	-	156,466	156,466
Balance as at 31 December 2011	5,810,056	171,269	5,981,325
Balance as at 1 January 2012	5,810,056	171,269	5,981,325
Additions	-	6,474	6,474
Balance as at 30 June 2012	5,810,056	177,743	5,987,799
<i>Accumulated depreciation and impairment losses</i>			
Balance as at 1 January 2011	-	(14,803)	(14,803)
Charge for the period	-	(10,431)	(10,431)
Balance as at 31 December 2011	-	(25,234)	(25,234)
Balance as at 1 January 2012	-	(25,234)	(25,234)
Transfer from fixed assets	-	(3,889)	(3,889)
Charge for the period	-	(16,099)	(16,099)
Balance as at 31 December 2012	-	(45,222)	(45,222)
<i>Net book value:</i>			
As at 31 December 2011	5,810,056	146,035	5,956,091
As at 31 December 2012	5,810,056	132,521	5,942,577

Other rights are related to the license for the production of certain beer.

“Banjalučka pivara” a.d. Banja Luka
Notes to financial statements (continued)

12 Property, plant and equipment

	Buildings BAM	Equipment and packaging BAM	Fixed assets under construction BAM	Total BAM
<i>At Cost</i>				
Balance as at 1 January 2011	40,427,830	95,047,998	69,858	135,545,686
Additions	-	22,877	1,689,857	1,712,734
Transfers	-	1,686,282	(1,686,282)	-
Disposals	-	(1,494,584)	-	(1,494,584)
Balance as at 31 December 2011	40,427,830	95,262,573	73,433	135,763,836
Balance as at 1 January 2012	40,427,830	95,262,573	73,433	135,763,836
Additions	-	-	6,324,665	6,324,665
Transfer from spare parts	-	-	514,807	514,807
Transfer of spare parts	-	514,807	(514,807)	-
Transfers	23,354	6,259,125	(6,282,479)	-
Surplus/(Deficit)	-	(134,848)	-	(134,848)
Disposals	-	(3,865,614)	-	(3,865,614)
Transfer to intangible assets	-	(6,474)	-	(6,474)
Balance as at 31 December 2012	40,451,184	98,029,568	115,619	138,596,371
<i>Accumulated depreciation and impairment losses</i>				
Balance as at 1 January 2011	(26,296,799)	(74,529,799)	-	(100,826,598)
Charge for the period	(827,491)	(5,094,732)	-	(5,922,223)
Disposals	-	1,429,518	-	1,429,518
Balance as at 31 December 2011	(27,124,290)	(78,195,013)	-	(105,319,303)
Balance as at 1 January 2012	(27,124,290)	(78,195,013)	-	(105,319,303)
Charge for the period	(827,705)	(5,535,970)	-	(6,363,675)
Surplus/(Deficit)	-	217,264	-	217,264
Disposals	-	2,654,962	-	2,654,962
Correction of packaging	-	(411,138)	-	(411,138)
Transfer to intangible assets	-	3,889	-	3,889
Balance as at 31 December 2012	(27,951,995)	(81,131,158)	-	(109,083,153)
<i>Net book value</i>				
As at 31 December 2011	13,303,540	17,067,559	73,433	30,444,532
As at 31 December 2012	12,499,189	16,898,410	115,619	29,513,218

All the assets of the Company are pledged as collateral for loans and borrowings.

“Banjalučka pivara” a.d. Banja Luka
Notes to financial statements (*continued*)

13	Long term financial assets		
		2012	2011
		BAM	BAM
	Equity securities	135,262	169,984
	Loans to employees	27,063	41,896
	Debt securities (bonds)	28,923	9,856
	Other deposits	257,500	257,500
		448,748	479,236
		<u><u> </u></u>	<u><u> </u></u>
14	Inventories		
		2012	2011
		BAM	BAM
	Spare parts	3,370,257	4,037,733
	Work in progress	814,636	592,819
	Finished goods	401,477	449,551
	Advances given	26,550	81,632
	Commercial Goods	10,134	19,681
		4,623,054	5,181,417
		<u><u> </u></u>	<u><u> </u></u>
15	Trade receivables		
		2012	2011
		BAM	BAM
	Trade receivables - domestic	7,006,027	6,048,006
	Trade receivables - foreign	297,455	180,695
	Correction of value	(3,465,864)	(3,369,446)
		3,837,618	2,859,255
		<u><u> </u></u>	<u><u> </u></u>
16	Cash and cash equivalents		
		2012	2011
		BAM	BAM
	Money in banks	66,428	101,414
	Cash in hand	162	983
		66,590	102,396
		<u><u> </u></u>	<u><u> </u></u>

“Banjalučka pivara” a.d. Banja Luka
Notes to financial statements (continued)

17 Capital

	2012	2011
	BAM	BAM
Share capital	5,680,693	5,680,693
	<u> </u>	<u> </u>
	5,680,693	5,680,693
	<u> </u>	<u> </u>

The structure of share capital as at 31.12.2012 and 31.12.2011 is as follows:

	2012	2012	2011	2011
	%	BAM	%	BAM
Altima Global Special Situations Fund Ltd	39,4%	2,235,996	39,4%	2,235,996
Altima UK Value Investments Limited	26,8%	1,524,812	26,8%	1,524,812
Internal stakeholders and shareholders on the basis of voucher offer	25,9%	1,471,354	25,9%	1,471,415
PREF a.d. Banja Luka	5,3%	299,224	5,3%	299,223
Fond za restituciju RS AD Banja Luka	2,6%	149,247	2,6%	149,247
		5,680,693		5,680,693
		<u> </u>		<u> </u>

The share capital of the Company consists of 4,155,881 common shares and 1,524,812 preferred shares with a nominal value of BAM 1 per share as at 31 December 2012.

“Banjalučka pivara” a.d. Banja Luka
Notes to financial statements (*continued*)

18 Loans and borrowings

	2012	2011
	BAM	BAM
Long-term liabilities		
Hypo Alpe Adria a.d. Banja Luka	12,764,300	14,641,489
Municipality of Banja Luka, Republic of Srpska	133,650	155,925
UniCredit Leasing d.o.o Sarajevo	50,796	94,059
Raiffeisen Leasing d.o.o. Sarajevo	17,072	-
	12,965,818	14,891,472
Short-term liabilities		
Altima Global Special Situations Master Fund Ltd	782,332	782,332
Altima Global Special Opportunities Master Fund Ltd	1,466,873	1,466,873
Altima Partners LLP	4,400,618	4,400,618
Hypo Alpe Adria a.d. Banja Luka	8,122,317	8,224,317
Hypo Alpe Adria d.d. Mostar	3,380,000	3,380,000
Municipality of Banja Luka, Republic of Srpska	22,275	22,275
Riverwood GmbH, Njemačka	-	489,003
UniCredit Leasing d.o.o Sarajevo	96,430	96,613
Raiffeisen Leasing d.o.o. Sarajevo	9,531	-
	18,280,376	18,862,031
	31,246,194	33,753,503
	<u><u> </u></u>	<u><u> </u></u>

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statements *(continued)*

18 Loans and borrowings *(continued)*

Interest rates and repayment terms on 31 December 2012 are as follows:

<i>Interest-bearing loans and borrowings</i>	Interest rate	Total 2011 BAM	1 year or less BAM	1-2 years BAM	2-3 years BAM	3-4 years BAM	More than 4 years BAM
Hypo Alpe Adria a.d. Banja Luka BAM 20.000.000 Maturity to June 2019	6 m Euribor + 5,50%	14,646,436	1,882,136	2,004,476	2,134,767	2,273,526	6,351,531
Municipality of Banja Luka, Republic of Srpska (utility fees - reprogram). Maturity to December 2020	-	77,381	11,054	11,054	11,054	11,054	33,165
Municipality of Banja Luka, Republic of Srpska (building land.)	-	78,544	11,221	11,221	11,221	11,221	33,660
Hypo Alpe Adria a.d. Banja Luka, BAM 6.000.000. Maturity to June 2013	7,00%	6,000,000	6,000,000	-	-	-	-
Hypo Alpe Adria d.d. Mostar, BAM 6.000.000. Maturity to June 2013	7,00%	3,380,000	3,380,000	-	-	-	-
Hypo Alpe Adria a.d. Banja Luka, BAM 2.500.000 Maturity to June 2013	7,00%	240,180	240,180	-	-	-	-
Altima Global Special Situations Master Fund Ltd, EUR 2,250,000	3m Euribor + 5,00%	782,332	782,332	-	-	-	-
Altima Global Special Opportunities Master Fund Ltd, EUR 750,000	3m euribor + 5,00%	1,466,873	1,466,872	-	-	-	-
Altima Partner LLP, EUR 2,250,000	3m euribor + 5,00%	4,400,618	4,400,618	-	-	-	-
UniCredit Leasing d.o.o Sarajevo	7,99%	147,226	96,430	44,569	6,227	-	-
Raiffeisen Leasing d.o.o Sarajevo	8,08%	26,604	9,532	10,059	7,013	-	-
Total loans and borrowings		31,246,194	18,280,376	2,081,379	2,170,282	2,295,801	6,418,356

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statements (*continued*)

18 Loans and borrowings (*continued*)

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 the beer production area of the factory as well as the right of pledge on equipment, which was purchased from these loans.

The results of negotiations on restructuring of credit liabilities in the past two years are grouping of credit liabilities towards the bank in two groups, short- term and long- term loans. Instalments of the long-term loan (BAM 20 million), used for financing of building and equipment of beer filling plant, with maturity on June 2019, are paid regularly monthly . Short –term liabilities towards Hypo Alpe Adria Bank a.d. Banja Luka, derive from the Financial framework loan, which has been approved to the Company for the period of 5 years (maturity June, 2016) from which the Company uses a short –term loan of BAM 6 million and an Overdraft loan amounting to BAM 2, 5 million. Both these loans mature on June, 2013 as well as a short-term loan approved by Hypo Alpe Adria Bank d.d. Mostar amounting to BAM 3, 38 million (approved from Financial framework loan with maturity on June, 2013).

The result of negotiations with the Bank has reduced margins of the bank and the interest rate on long-term loans is 6-month EURIBOR (rounded to first higher quarter) +5.5% margin (full interest rate would be 6-month EURIBOR + 7% margin) and to the short-term loans 7%. This temporary interest rate expires on June, 2013.

During the previous negotiations on restructuring of the Company’s liabilities, an agreement on the write-off of part of penalty interest has been reached (for Hypo Bank Banja Luka, as of the 1st of December 2010 it amounted to BAM 338,941.00 and for Hypo Bank Mostar the penalty interest amounted to BAM 347,465.25 as of the 30th November 2010) 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 BAM 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).

The company regularly repays its liabilities of the long - term loan (repayment of principal and interest). As for the short –term liabilities, the Company regularly repays interest of the loans, however, due to the inability to repay principal of the short-term loans, the Company still asks for moratorium on repayment of principal of short –term loans. Every year (every six months), the Company and Hypo Bank jointly consider the financial situation of the Company and negotiate on part of short-term liabilities which the Company is able to repay in the forthcoming period. During the preparations and announcement of these financial statements the Company and the Bank are negotiating on short-term liabilities and it is expected that an appropriate agreement will be reached with the Bank on the restructuring of these liabilities i.e. on partial repayment.

“Banjalučka pivara” a.d. Banja Luka
Notes to financial statements (continued)

19 Long-term provisions

	2012	2011
	BAM	BAM
Provision for dividends on preference shares	2,787,587	2.741.843
Provisions for other financial expenses	224,127	136,232
	<u> </u>	<u> </u>
	3,011,714	2,878,075
	<u> </u>	<u> </u>

Provision for dividends on cumulative preference shares are calculated each year, amounting to 3% of the nominal value of shares. The total amount of provisions calculated for the period ending on 31 December 2012 amounts to BAM 45,744 and is calculated as 3% of the amount of BAM 1,524,812.

20 Trade payables and other payable

	2012	2011
	BAM	BAM
Foreign trade payables	3,800,504	2,985,076
Domestic trade payables	3,368,049	1,758,080
Liabilities for interest	2,005,053	1,579,864
Non income taxes	374,470	482,606
Excise duty	589,606	391,722
Liabilities for VAT	190,824	234,691
Accrued expenses	217,951	223,264
Taxes and contributions	141,477	144,046
Liabilities to employees	16,682	16,922
Fees for forests, water and fire protection	24,784	16,448
Other liabilities	182,553	166,649
	<u> </u>	<u> </u>
	10,911,953	7,999,368
	<u> </u>	<u> </u>

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statements (*continued*)

21 Risk Management

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

Information about the Company's exposure to the risks described above, objectives of the Company, policies and processes for measuring and managing risk and capital management, and further quantitative disclosures are included throughout these financial statements. Note 2 provides additional information related to liquidity and capital management under going concern discussions.

(i) *Credit risk*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Company's receivables from customers.

(ii) *Liquidity risk*

Liquidity risk is the risk that the Facility will not be able to meet its financial obligations as they fall due. The Company has significant exposure to liquidity risk

(iii) *Market risk*

Market risk is the risk that changes in market prices, such as foreign exchange rate, interest rates and equity prices will affect the Company's income or value of its financial instruments.

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statements (*continued*)

21 Risk Management (*continued*)

Liquidity risk

The following are the contractual maturities of the financial obligations:

	Net-book value	Contractual cash flows	0-6 months	6-12 months	1-2 years	2-5 years	More than 5 years
31. December 2012							
Trade and other payables	10,911,953	10,911,953	10,911,953	-	-	-	-
Borrowings on which interest is paid	31,246,194	35,326,565	18,548,466	1,432,397	2,832,118	8,339,470	4,174,114
	<u>42,158,147</u>	<u>46,238,518</u>	<u>29,460,419</u>	<u>1,432,397</u>	<u>2,832,118</u>	<u>8,339,470</u>	<u>4,174,114</u>
31. December 2011							
Trade and other payables	7,999,369	7,999,369	7,999,369	-	-	-	-
Borrowings on which interest is paid	33,753,503	38,343,108	8,569,374	11,923,414	2,812,682	8,189,240	6,848,398
	<u>41,752,872</u>	<u>46,342,477</u>	<u>16,568,743</u>	<u>11,923,414</u>	<u>2,812,682</u>	<u>8,189,240</u>	<u>6,848,398</u>

The Company has significant liabilities maturing within the next 6 and 12 months, which is discussed further in Note 2 on going concern.

“Banjalučka pivara” a.d. Banja Luka
Notes to financial statements (*continued*)

22 Related party transactions

Significant transactions with related parties are given below:

	2012	2011
	BAM	BAM
<i>Balance sheet</i>		
<i>Loans and borrowings</i>		
Altima Global Special Situations Master Fund Ltd	782,332	782,332
Altima Global Special Opportunities Master Fund Ltd	1,466,872	1,466,872
Altima Partners LLP	4,400,618	4,400,618
	<u>6,649,822</u>	<u>6,649,822</u>
	<u><u>6,649,822</u></u>	<u><u>6,649,822</u></u>
<i>Short-term liabilities on the basis of accumulated dividends</i>		
Altima UK Value Investments Limited	2,787,587	2,741,843
	<u>2,787,587</u>	<u>2,741,843</u>
	<u><u>2,787,587</u></u>	<u><u>2,741,843</u></u>
<i>Interest liability</i>		
Altima Group (GSO & GSS Master Fund, Altima Partners)	1,909,126	1,461,151
	<u>1,909,126</u>	<u>1,461,151</u>
	<u><u>1,909,126</u></u>	<u><u>1,461,151</u></u>
<i>Income Statement</i>		
<i>Interest</i>		
Altima Group (GSO & GSS Master Fund, Altima Partners)	447,975	484,099
<i>Preference shares finance costs</i>		
Altima UK Value Investments Limited	45,744	485,062
<i>Consultancy fees</i>		
Altima UK Value Investments Limited	775,872	690,619
	<u>1,269,591</u>	<u>1,659,780</u>
	<u><u>1,269,591</u></u>	<u><u>1,659,780</u></u>

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statements (*continued*)

22 Related party transactions (*continued*)

	2012	2011
	BAM	BAM
<i>Salaries and other short term benefits to management</i>		
Remuneration to key management	187,402	188,405
	<hr/>	<hr/>

Remuneration to key management relates to the salaries and other short term benefits that are received by general manager, management board and auditing board.

23 Contingent liabilities

The Company is involved in a number of legal disputes arising from its normal operations and are related to commercial and contractual matters, and matters relating to labour relations, which are addressed or considered in the normal course of business. At 31 December 2012, the total estimated amount claimed against the Company is BAM 342,074 excluding interest. Given Management believe resulting losses will be unlikely no provisions or further disclosures have been considered necessary in the financial statements.

24 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on expected future events that are believed to be reasonable under the given circumstances.

Certain accounting estimates as applied by the Company in accordance with its accounting policies are described below:

Going concern

For the reasons given in Note 2 to these financial statements, Management believe the going concern principle remains applicable in the preparation of these financial statements.

Estimated useful life and impairment of intangible asset, plant and equipment

The Company estimated useful life and related depreciation charges for plant and equipment and intangible asset based on expected useful lives, which management assesses annually. Also, management has considered indications for impairment, and believe none exist to require a detailed test of the recoverable amount of assets.

Income tax

Tax calculations are performed based on the Company’s interpretation of current tax laws and regulations. These calculations which support the tax return may be subjected to review and approval by the local tax authority. As a result, certain transactions may be challenged by the local tax authorities and the Company may be assessed additional taxes, penalties and interest.

Correction of value of accounts receivable

Receivables from customers 120 days overdue, as well as all other receivables for which it is assessed that they will not be collected, a correction of value in a full amount of due but non-collectable receivables is formed.

Inventories

Correction of value charged to “Other operating expenses” is made when it is assessed that their carrying value is to be reduced to their net market value. Inventories found to be damaged are written off in full.

Correction of value – impairment of inventories is carried out for material and spare parts which have not been used for a longer period.

“Banjalučka pivara” a.d. Banja Luka
Notes to financial statements (*continued*)

25 *Events subsequent to balance date*

In the period following the balance date, there have been no events that would require any changes to that reported in the financial statements or notes that accompany the financial statements or that would require additional disclosures in financial statements or notes to accompany the financial statements.