

# **“Banjalučka pivara” a.d. Banja Luka**

Financial report  
for the year ended  
31 December 2015

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  
for the year ended  
31 December 2015

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# “Banjalučka pivara” a.d. Banja Luka

## Management’s report

The Management submits their report together with the audited financial statements for the year ended 31 December 2015.

### *Principal activity*

The brewery Banjalučka pivara a.d. Banja Luka (hereinafter: “Company”) was originally founded in 1873 and nationalised 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 the Republic of Srpska on 3 February 2005, a special program for the privatisation sale of the state capital was approved (53.81% of total capital) using method with various condition of tender.

The Company’s headquarters are in Banja Luka, Slatinska 8.

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

### *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 the 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 him to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Management is responsible for selecting suitable accounting policies in accordance with the 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.

*Nicholas Penny*  
Director

19 April 2016



## 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 2015, the statements of comprehensive income, changes in equity and cash flows for the year then ended, 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, we consider 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 2015, and of its financial performance and its cash flows for the year then ended in accordance with the financial reporting framework of the Republic of Srpska.

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

19 April 2016

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



*Vukotić Vedran*  
Vukotić Vedran  
FBiH certified auditor  
Licence no. 3090017124  
and Head of the Banja Luka Branch Office

This version of audit opinion 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 our report takes precedence over this translation.

# “Banjalučka pivara” a.d. Banja Luka

## Statement of comprehensive income

For the year ended 31<sup>st</sup> December 2015

	<i>Note</i>	<b>I-XII-2015 BAM</b>	I-XII-2014 BAM
Revenue	4	43,881,836	40,592,061
Other income	5	1,660,732	1,183,622
<b>Total revenue</b>		<b>45,542,568</b>	41,775,683
Changes in inventory		729,393	217,323
Raw materials, consumables and services used	6	(15,947,769)	(15,887,154)
Staff costs	7	(6,174,391)	(5,766,123)
Depreciation and amortisation expense	11,12	(7,168,680)	(6,958,577)
Other operating expenses	8	(9,642,660)	(8,327,493)
<b>Profit from operating activities</b>		<b>7,338,461</b>	5,053,659
Financial income	9	646	2,834,528
Financial expenses	9	(998,824)	(1,470,164)
<b>Net financial expenses/(income)</b>	9	<b>(998,178)</b>	1,364,364
<b>Profit before taxation</b>		<b>6,340,283</b>	6,418,023
Income tax expense	10	(123,368)	-
<b>Profit for the year</b>		<b>6,216,915</b>	6,418,023
<b>Total comprehensive profit for the year</b>		<b>6,216,915</b>	6,418,023
<b>Profit per share</b>		<b>0.28</b>	0.29

The accompanying notes form an integral part of these financial statements

# “Banjalučka pivara” a.d. Banja Luka

## Statement of financial position

As at December, 31<sup>st</sup>

	<i>Note</i>	<b>I-XII-2015</b> <b>BAM</b>	I-XII-2014 <b>BAM</b>
<b>ASSETS</b>			
Intangible assets	<i>11</i>	<b>5,930,412</b>	5,909,204
Property plant and equipment	<i>12</i>	<b>25,114,507</b>	27,206,030
Financial assets	<i>13</i>	<b>373,637</b>	438,524
<b>Total non-currents assets</b>		<b>31,418,556</b>	33,553,758
Inventories	<i>14</i>	<b>4,678,331</b>	5,270,057
Trade receivables	<i>15</i>	<b>1,995,665</b>	1,722,221
Other receivables		<b>99,148</b>	566,229
Cash and cash equivalents	<i>16</i>	<b>11,625,795</b>	7,385,049
<b>Total current assets</b>		<b>18,398,939</b>	14,943,556
<b>Total assets</b>		<b>49,817,495</b>	48,497,314
<b>Total assets</b>		<b>49,817,495</b>	48,497,314
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	<i>17</i>	<b>22,300,000</b>	22,300,000
Legal reserves		<b>17,482</b>	-
Accumulated profit / (losses)		<b>6,471,545</b>	317,856
<b>TOTAL EQUITY</b>		<b>28,789,027</b>	22,617,856
<b>Liabilities</b>			
<b>Long - term liabilities</b>			
Loans and borrowings	<i>18</i>	<b>6,382,083</b>	8,808,263
Provisions	<i>19</i>	<b>1,064,303</b>	1,367,825
<b>Total long - term liabilities</b>		<b>7,446,386</b>	10,176,088
<b>Short-term liabilities</b>			
Loans and borrowings	<i>18</i>	<b>6,755,058</b>	9,030,664
Trade and other payables	<i>20</i>	<b>6,827,024</b>	6,672,706
<b>Total short-term liabilities</b>		<b>13,582,082</b>	15,703,370
<b>Total liabilities</b>		<b>21,028,468</b>	25,879,458
<b>Total equity and liabilities</b>		<b>49,817,495</b>	48,497,314

The accompanying notes form an integral part of these financial statements

# “Banjalučka pivara” a.d. Banja Luka

## Statement of changes in equity

As at December, 31<sup>st</sup>

	Share capital BAM	Legal reserves BAM	Accumulated (loss)/profit BAM	Total capital BAM
As at 1 <sup>st</sup> January, 2014	22,300,000	-	(6,100,167)	16,199,833
Profit for the year	-	-	6,418,023	6,418,023
As at 31 <sup>st</sup> December, 2014	<u>22,300,000</u>	<u>-</u>	<u>317,856</u>	<u>22,617,856</u>
As at 1 <sup>st</sup> January, 2015	22,300,000	-	317,856	22,617,856
Profit for the year	-	-	6,216,915	6,216,915
Dividends	-	-	(45,744)	(45,744)
Transfer	-	17,482	(17,482)	-
As at 31 <sup>st</sup> December, 2015	<u>22,300,000</u>	<u>17,482</u>	<u>6,471,545</u>	<u>28,789,027</u>

The accompanying notes form an integral part of these financial statements

# “Banjalučka pivara” a.d. Banja Luka

## Statement of cash flows

For the year ended 31<sup>st</sup> December 2015

	I-XII-2015	I-XII-2014
	BAM	BAM
<b>Cash flows from operating activities</b>		
Cash receipts from customers and received advance payments	<b>59,618,089</b>	56,411,014
Cash receipts from premiums, subventions	<b>50,000</b>	-
Other cash received from operating activities	<b>836,862</b>	755,993
Cash paid to suppliers - raw materials, expenses and advanced payments	<b>(26,281,477)</b>	(27,141,512)
Cash paid to and on behalf of employees	<b>(3,803,396)</b>	(5,630,999)
Interest paid	<b>(952,055)</b>	(1,255,447)
Payments for liabilities from other operating activities	<b>(15,623,212)</b>	(14,359,604)
	<hr/>	<hr/>
<i>Net cash increase from operating activities</i>	<b>13,844,811</b>	8,779,445
<b>Cash flow from investing and placement activities</b>		
Increase in short-term financial placements	<b>23,597</b>	49,284
Interest received	<b>449</b>	1,154
Decrease in other long-term financial placements	-	(53,463)
Purchases of property, plant and equipment	<b>(4,853,030)</b>	(5,256,246)
	<hr/>	<hr/>
<i>Net cash decrease from investing activities</i>	<b>(4,828,984)</b>	(5,259,271)
<b>Financing activities</b>		
Increase in financing activities	7,320,798	13,215,878
Decrease in financing activities	(12,095,879)	(17,639,769)
	<hr/>	<hr/>
<i>Net cash decrease in financing activities</i>	(4,775,081)	(4,423,891)
<i>Net increase / (decrease) in cash</i>	<b>4,240,746</b>	(903,717)
<b>Cash and cash equivalents at the beginning of the year</b>	<b>7,385,049</b>	8,288,766
<b>Cash and cash equivalents at the end of the year</b>	<b>11,625,795</b>	7,385,049
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The accompanying notes form an integral part of these financial statements

# “Banjalučka pivara” a.d. Banja Luka

## Notes to financial statements

### 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.

The company is listed on Banjalučka berza (Banja Luka Stock Exchange) with ordinary shares under code BLPV-R-A and preference shares under code BLPV-P-B.

The seat of the Company is in Banja Luka, Slatinska 8.

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) *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 94/15), 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 5/07) and the Regulations on the form and content of financial statements for the companies (Official Gazette RS 49/15) and regulations on additional accounting report – Annex ( Official Gazette RS 49/15).

#### (b) *Basis of measurement*

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

#### (c) *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.

# “Banjalučka pivara” a.d. Banja Luka

## Notes to financial statements (*continued*)

### 2 Basis of preparation (*continued*)

#### (d) *Use of estimates and judgments*

The preparation of financial statements requires management to make judgments, 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 judgments 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.

#### (b) *Financial instruments*

Non-derivative financial instruments comprise of 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.

##### *Loans and receivables*

Loans and receivables are carried at amortised cost using the effective interest method, using the effective interest method.

##### *Cash and cash equivalents*

Cash and cash equivalents comprise cash balances and call deposits, petty cash, cash at bank and deposits at bank with a maturity of up to three months.

##### *Interest bearing 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 over the period of the borrowings on an effective interest basis.

# “Banjalučka pivara” a.d. Banja Luka

## Notes to financial statements (*continued*)

### 3 Significant accounting policies (*continued*)

#### (b) *Financial instruments (continued)*

##### *Trade payables*

Trade payables are realized initially at fair value and subsequently at amortised cost, using the effective interest method.

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 or 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.

# “Banjalučka pivara” a.d. Banja Luka

## Notes to financial statements (*continued*)

### 3 Significant accounting policies (*continued*)

#### (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.

#### (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

	I-XII-2015 BAM	I-XII-2014 BAM
Revenue from the sale of products (domestic) - RS	40,523,974	37,281,002
Revenue from the sale of products (domestic) - FBiH	2,892,050	2,758,958
Revenue from the sale of products - foreign	462,940	484,723
Revenue from the sale of goods (domestic) - RS	2,500	20,488
Revenue from the sale of goods (domestic) – FBiH	372	46,890
	<u>43,881,836</u>	<u>40,592,061</u>

### 5 Other income

	I-XII-2015 BAM	I-XII-2014 BAM
Recovery of bad debts	775,323	612,656
Income from collected payment for damages	210,944	111,669
Income from sales of property, plant and equipment	101,556	2,825
Income from own work capitalized	83,428	38,950
Income from lease	53,532	36,508
Environmental protection funds	50,000	-
Difference from paid and accep. securities for repay, of tax liabilities	23,358	52,483
Other income	362,591	328,531
	<u>1,660,732</u>	<u>1,183,622</u>

### 6 Consumables and services used

	I-XII-2015 BAM	I-XII-2014 BAM
Raw materials	12,333,547	12,058,282
Other materials	1,831,533	1,631,561
Fuel and energy	1,771,711	2,147,051
Goods sold at cost	10,978	50,260
	<u>15,947,769</u>	<u>15,887,154</u>

# “Banjalučka pivara” a.d. Banja Luka

## Notes to financial statements (*continued*)

### 7 Staff costs

	<b>I-XII-2015</b>	I-XII-2014
	<b>BAM</b>	BAM
Wages and salaries	<b>3,448,235</b>	3,138,789
Contributions and taxes	<b>2,121,156</b>	1,944,520
Other staff costs	<b>605,000</b>	682,814
	<b>6,174,391</b>	5,766,123

As of December 31, 2015, number of employees was 237 (2014: 246 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 1,802,732 (2014 BAM 1,644,650) of contributions paid into the social funds of the Republic of Srpska.

### 8 Other operating expenses

	<b>I-XII-2015</b>	I-XII-2014
	<b>BAM</b>	BAM
Advertising and other marketing services	<b>2,168,864</b>	1,714,264
Non-production service	<b>1,252,021</b>	1,302,738
Entertainment and promotional costs	<b>1,057,174</b>	908,512
Impairment of trade receivables	<b>1,010,798</b>	581,281
Transportation	<b>822,196</b>	1,233,045
Other reserves	<b>805,816</b>	572,118
Maintenance	<b>796,141</b>	713,811
Losses from disposal of materials and goods	<b>556,646</b>	110,075
Other taxes	<b>455,896</b>	406,513
Insurance premium	<b>130,398</b>	144,968
Losses from disposal of fixed assets	<b>124,988</b>	153,521
Write off of material	<b>72,480</b>	78,018
Contribution costs	<b>60,864</b>	30,942
Rent	<b>57,364</b>	52,390
Banking services	<b>47,229</b>	80,834
Impairment of financial assets	<b>37,982</b>	-
Membership fees	<b>22,592</b>	14,065
Losses	<b>4,029</b>	23,425
Other costs	<b>159,182</b>	206,973
	<b>9,642,660</b>	8,327,493

# “Banjalučka pivara” a.d. Banja Luka

## Notes to financial statements (*continued*)

### 9 Financial income and expenses

	I-XII-2015 BAM	I-XII-2014 BAM
Interest income	449	1,154
Foreign exchange gains	197	42
Income from reversal of reserves	-	2,833,332
	<hr/>	<hr/>
<b>Total financial income</b>	<b>646</b>	<b>2,834,528</b>
	<hr/>	<hr/>
Interest expense	(952,436)	(1,424,176)
Preference share finance costs	(45,744)	(45,744)
Foreign exchange losses	(644)	(244)
	<hr/>	<hr/>
<b>Total financial expenses</b>	<b>(998,824)</b>	<b>(1,470,164)</b>
	<hr/>	<hr/>
<b>Net financial expenses / (income)</b>	<b>(998,178)</b>	<b>1,364,364</b>
	<hr/> <hr/>	<hr/> <hr/>

### 10 Income tax expense

	I-XII-2015 BAM	I-XII-2014 BAM
Profit before taxation	6,340,283	6,418,023
	<hr/>	<hr/>
Tax at rate of 10%	634,028	641,802
Non-deductible expenses	438,792	170,861
Non-deductible revenue	(104,518)	(344,599)
	<hr/>	<hr/>
Income Tax	968,302	468,064
Tax losses utilised from previous years	(753,591)	(468,064)
Investment incentives for production	(91,343)	-
	<hr/>	<hr/>
Income tax expense	123,368	-
	<hr/>	<hr/>
<i>Effective tax rate</i>	<i>2%</i>	<i>0%</i>
	<hr/> <hr/>	<hr/> <hr/>

# “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>			
<b>Balance as at 1<sup>st</sup> January 2014</b>	<b>5,810,056</b>	<b>177,743</b>	<b>5,987,799</b>
Additions	-	-	-
<b>Balance as at 31<sup>st</sup> December 2014</b>	<b>5,810,056</b>	<b>177,743</b>	<b>5,987,799</b>
<b>Balance as at 1<sup>st</sup> January 2015</b>	<b>5,810,056</b>	<b>177,743</b>	<b>5,987,799</b>
Additions	36,900	-	<b>36,900</b>
<b>Balance as at 31<sup>st</sup> December 2015</b>	<b>5,846,956</b>	<b>177,743</b>	<b>6,024,699</b>
<i>Accumulated depreciation and impairment losses</i>			
<b>Balance as at 1<sup>st</sup> January 2014</b>	-	<b>(62,003)</b>	<b>(62,003)</b>
Charge for the period	-	(16,592)	<b>(16,592)</b>
<b>Balance as at 31<sup>st</sup> December 2014</b>	-	<b>(78,595)</b>	<b>(78,595)</b>
<b>Balance as at 1<sup>st</sup> January 2015</b>	-	<b>(78,595)</b>	<b>(78,595)</b>
Charge for the period	-	(15,692)	<b>(15,692)</b>
<b>Balance as at 31<sup>st</sup> December 2015</b>	-	<b>(94,287)</b>	<b>(94,287)</b>
<i>Net book value:</i>			
<b>As at 31<sup>st</sup> December 2014</b>	<b>5,810,056</b>	<b>99,148</b>	<b>5,909,204</b>
<b>As at 31<sup>st</sup> December 2015</b>	<b>5,846,956</b>	<b>83,456</b>	<b>5,930,412</b>

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

# “Banjalučka pivara” a.d. Banja Luka

## Notes to financial statements (*continued*)

### 12 Property, plant and equipment

	Buildings	Equipment and packaging	Fixed assets under construction	Total
	BAM	BAM	BAM	BAM
<b>At cost</b>				
<b>Balance as at 1<sup>st</sup> January 2014</b>	<b>40,513,265</b>	<b>80,480,659</b>	<b>145,711</b>	<b>121,139,635</b>
Additions	-	-	7,474,179	7,474,179
Transfer	307,945	6,850,775	(7,158,720)	-
Surplus	-	144,857	(135,794)	9,063
Deficit	-	(98,817)	-	(98,817)
Disposals	(16,008)	(2,325,774)	(223)	(2,342,005)
<b>Balance as at 31<sup>st</sup> December 2014</b>	<b>40,805,202</b>	<b>85,051,700</b>	<b>325,153</b>	<b>126,182,055</b>
<b>Balance as at 1<sup>st</sup> January 2015</b>	<b>40,805,202</b>	<b>85,051,700</b>	<b>325,153</b>	<b>126,182,055</b>
Additions	-	-	5,185,046	5,185,046
Transfers	338,649	4,712,370	(5,051,019)	-
Surplus	-	5,768	-	5,768
Deficit	-	(40,641)	-	(40,641)
Disposals	(113,045)	(2,190,364)	-	(2,303,409)
<b>Balance as at 31<sup>st</sup> December 2015</b>	<b>41,030,806</b>	<b>87,538,833</b>	<b>459,180</b>	<b>129,028,819</b>
<b>Accumulated depreciation and impairment losses</b>				
<b>Balance as at 1<sup>st</sup> January 2014</b>	<b>(28,725,480)</b>	<b>(65,570,484)</b>	-	<b>(94,295,964)</b>
Charge for the period	(601,873)	(6,340,112)	-	(6,941,985)
Surplus	-	(411)	-	(411)
Deficit	-	83,520	-	83,520
Disposals	10,685	2,168,130	-	2,178,815
<b>Balance as at 31<sup>st</sup> December 2014</b>	<b>(29,316,668)</b>	<b>(69,659,357)</b>	-	<b>(98,976,025)</b>
<b>Balance as at 1<sup>st</sup> January 2015</b>	<b>(29,316,668)</b>	<b>(69,659,357)</b>	-	<b>(98,976,025)</b>
Charge for the period	(614,020)	(6,538,968)	-	(7,152,988)
Surplus	-	(1,005)	-	(1,005)
Deficit	-	37,562	-	37,562
Disposals	23,174	2,154,970	-	2,178,144
<b>Balance as at 31<sup>st</sup> December 2015</b>	<b>(29,907,514)</b>	<b>(74,006,798)</b>	-	<b>(103,914,312)</b>
<b>Net book value</b>				
<b>As at 31<sup>st</sup> December 2014</b>	<b>11,488,534</b>	<b>15,392,343</b>	<b>325,153</b>	<b>27,206,030</b>
<b>As at 31<sup>st</sup> December 2015</b>	<b>11,123,292</b>	<b>13,532,035</b>	<b>459,180</b>	<b>25,114,507</b>

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 Financial assets

	I-XII-2015 BAM	I-XII-2014 BAM
Other deposits	257,500	257,500
Equity securities	214,850	199,850
Debt securities (bonds)	13,927	17,825
Loans to employees	-	38,007
Less: impairment	(112,640)	(74,658)
	<u>373,637</u>	<u>438,524</u>

### 14 Inventories

	I-XII-2015 BAM	I-XII-2014 BAM
Raw material	3,303,190	3,811,941
Work in progress	734,133	986,736
Finished goods	507,013	289,810
Advances given	131,896	175,530
Commercial Goods	2,099	6,040
	<u>4,678,331</u>	<u>5,270,057</u>

### 15 Trade receivables

	I-XII-2015 BAM	I-XII-2014 BAM
Trade receivables domestic - RS	4,194,540	4,145,819
Trade receivables domestic - FBiH	565,804	521,909
Trade receivables - foreign	485,874	423,980
Trade receivables domestic - Brčko district	50,042	50,042
Less: impairment	(3,300,595)	(3,419,529)
	<u>1,995,665</u>	<u>1,722,221</u>

### 16 Cash and cash equivalents

	I-XII-2015 BAM	I-XII-2014, BAM
Cash at banks	11,624,093	7,381,256
Cash in hand	1,702	3,793
	<u>11,625,795</u>	<u>7,385,049</u>

# “Banjalučka pivara” a.d. Banja Luka

## Notes to financial statements (*continued*)

### 17 Share capital

	<b>I-XII-2015</b>	I-XII-2014
	<b>BAM</b>	BAM
Share capital	<b>22,300,000</b>	22,300,000
	<b>=====</b>	<b>=====</b>

The structure of share capital as at 31<sup>st</sup> December 2015 and 31<sup>st</sup> December 2014 is as follows:

	<b>I-XII-2015</b>	<b>I-XII-2015</b>	I-XII-2014	I-XII-2014
	<b>%</b>	<b>BAM</b>	<b>%</b>	<b>BAM</b>
Altima Global Special Situations Fund Ltd	<b>82,42%</b>	<b>18,379,955</b>	82,42%	18,379,955
Altima UK Value Investments Limited	<b>6,84%</b>	<b>1,524,812</b>	6,84%	1,524,812
Internal stakeholders and shareholders on the basis of voucher offer	<b>8,73%</b>	<b>1,946,763</b>	8,73%	1,946,763
PREF a.d. Banja Luka	<b>1,34%</b>	<b>299,223</b>	1,34%	299,223
Restitution Fund RS AD Banja Luka	<b>0,67%</b>	<b>149,247</b>	0,67%	149,247
		<b>22,300,000</b>		<b>22,300,000</b>
		<b>=====</b>		<b>=====</b>

The share capital of the Company consists of 20,775,188 (2014: 20,755,188) ordinary shares and 1,524,812 preference shares with a nominal value of BAM 1 per share as at 31<sup>st</sup> December 2015.

# “Banjalučka pivara” a.d. Banja Luka

## Notes to financial statements (*continued*)

### 18 Loans and borrowings

	I-XII-2015 BAM	I-XII-2014 BAM
<i>Long-term liabilities</i>		
Hypo Alpe Adria a.d. Banja Luka	6,285,177	8,571,942
Municipality of Banja Luka Republika Srpska	66,825	89,100
UniCredit Leasing d.o.o. Sarajevo	24,627	69,645
Raiffeisen Leasing d.o.o. Sarajevo	5,454	77,576
	<u>6,382,083</u>	<u>8,808,263</u>
<i>Short-term liabilities</i>		
Hypo Alpe Adria a.d. Banja Luka	6,593,168	8,760,780
Raiffeisen Leasing d.o.o. Sarajevo	72,090	138,931
UniCredit Leasing d.o.o. Sarajevo	67,525	108,678
Municipality of Banja Luka, Republika Srpska	22,275	22,275
	<u>6,755,058</u>	<u>9,030,664</u>
	<u>13,137,141</u>	<u>17,838,927</u>

# “Banjalučka pivara” a.d. Banja Luka

## Notes to financial statements (*continued*)

### 18 Loans and borrowings (*continued*)

Interest rates and repayment terms on 31<sup>st</sup> December 2015 are as follows:

<i>Interest-bearing loans and borrowings</i>	<b>Interest rate</b>	<b>Total 2015</b>	<b>1 year or less</b>	<b>1-2 years</b>	<b>2-3 years</b>	<b>3-4 years</b>	<b>More than 4 years</b>
		<b>BAM</b>	<b>BAM</b>	<b>BAM</b>	<b>BAM</b>	<b>BAM</b>	<b>BAM</b>
Hypo Alpe Adria a.d. Banja Luka BAM 20,000,000 Maturity to June 2019	6 m Euribor + 5,70% (from 01.01. 6m Euribor +3.90%)	<b>8,378,345</b>	2,093,168	2,409,186	2,547,714	1,328,277	-
Municipality of Banja Luka Republika Srpska (utility fees - reprogram), Maturity to December 2019	-	<b>44,218</b>	11,054	11,054	11,054	11,056	-
Municipality of Banja Luka, Republika Srpska (building land)	-	<b>44,882</b>	11,221	11,221	11,221	11,219	-
Hypo Alpe Adria d.d. Banja Luka, BAM 1,800,000, Maturity to February 2016**	6.20% (from 01.01. 3.85%)	<b>900,000</b>	900,000	-	-	-	-
Hypo Alpe Adria d.d. Banja Luka, BAM 1,800,000, Maturity to March 2016**	6.20% (from 01.01. 3.85%)	<b>1,800,000</b>	1,800,000	-	-	-	-
Hypo Alpe Adria a.d. Banja Luka, BAM 1,800,000, Maturity to April 2016**	6.20% (from 01.01. 3.85%)	<b>1,800,000</b>	1,800,000	-	-	-	-
UniCredit Leasing d.o.o. Sarajevo	6.43% - 8.42%	<b>92,152</b>	67,525	20,553	4,074	-	-
Raiffeisen Leasing d.o.o. Sarajevo	8.11%-8.36%	<b>77,544</b>	72,090	5,454	-	-	-
<b>Total loans and borrowings</b>		<b>13,137,141</b>	<b>6,755,058</b>	<b>2,457,468</b>	<b>2,574,063</b>	<b>1,350,552</b>	-

\*\* For additional information on the status of short-term loans from Hypo bank on the day of publishing the reports, kindly see the next page.

# **“Banjalučka pivara” a.d. Banja Luka**

## **Notes to financial statements (*continued*)**

### **18 Loans and borrowings (*continued*)**

As means of security for repayment of loans from 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.

As a result of negotiations on restructuring of credit liabilities in the past years, credit liabilities towards the bank were grouped in two groups, short-term and long-term loans. Instalments of the long-term loan (BAM 20 million), used for financing of building and equipping of beer filling plant, with maturity in June 2019, are paid regularly at monthly level along with the related interest.

In late December 2015, an agreement was reached with the bank on the new interest rates as follows: 3.85% on short-term loans and 6-month Euribor +3.90%, margin on long-term loans. The same agreement extends duration of the Financial framework loan, from which short-term loans were placed, until the 30st June, 2020.

In addition to the contracted repayment of BAM 800,000 of short-term loans, the Company also repaid additional BAM 1.49 million of short-term loans in 2015. Also, in early January 2016, the Company repaid three short-term loans in the total amount of BAM 4.5 million (loans, with maturity in February, March and April 2016). In mid-January a new contract was signed with Hypo bank on a long-term loan of BAM 4.5 million for a period of 3 years with start of use from the 31st March, 2016, and repayment in 36 equal monthly instalments (full repayment by the 1st March 2019).

# “Banjalučka pivara” a.d. Banja Luka

## Notes to financial statements (*continued*)

### 19 Provisions

	I-XII-2015 BAM	I-XII-2014 BAM
Provisions for other financial expenses	1,018,559	1,322,081
Provision for dividends on preference shares	45,744	45,744
	<u>1,064,303</u>	<u>1,367,825</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<sup>st</sup> December 2015 amounts to BAM 45,744 and is calculated as 3% of the amount of BAM 1,524,812.

### 20 Trade payables and other payables

	I-XII-2015 BAM	I-XII-2014 BAM
Trade payables domestic - RS	1,559,159	1,879,562
Trade payables domestic - FBiH	19,865	152,141
Trade payables domestic - Brčko Distrikt	-	60
Foreign trade payables	1,426,022	806,155
Received advanced payments and deposits	1,837,259	1,787,226
Excise duty	681,009	653,577
Liabilities for VAT	291,532	801,641
Accrued expenses for salaries and benefits	279,682	264,653
Liabilities for other taxes	265,631	61,200
Taxes and contributions	171,627	161,508
Liabilities for income tax	123,368	-
Liabilities for interest	62,296	1,905
Fees for forests, water and fire protection	29,000	28,417
Liabilities for employees	17,637	18,177
Other liabilities	62,937	56,484
	<u>6,827,024</u>	<u>6,672,706</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:

Non-derivative financial liabilities	Net-book value	Contractual cash flows	0-6 months	6-12 months	1-2 years	2-5 years
<b>31<sup>st</sup> December 2015</b>						
Trade and other payables	6,827,024	6,827,024	6,827,024	-	-	-
Borrowings on which the interest is paid	13,137,141	14,040,111	6,029,618	1,162,435	2,749,180	4,098,878
	<b>19,964,165</b>	<b>20,867,135</b>	<b>12,856,642</b>	<b>1,162,435</b>	<b>2,749,180</b>	<b>4,098,878</b>
<b>31<sup>st</sup> December 2014</b>						
Trade and other payables	6,672,706	6,672,706	6,672,706	-	-	-
Borrowings on which the interest is paid	17,838,927	19,377,633	8,143,312	1,495,104	2,870,673	6,868,544
	<b>24,511,633</b>	<b>26,050,339</b>	<b>14,816,018</b>	<b>1,495,104</b>	<b>2,870,673</b>	<b>6,868,544</b>

# “Banjalučka pivara” a.d. Banja Luka

## Notes to financial statements (*continued*)

### 22 Related party transactions

Significant transactions with related parties are given below:

	<b>I-XII-2015</b>	I-XII-2014
	<b>BAM</b>	<b>BAM</b>
<b>Balance sheet</b>		
<i>Short-term liabilities on the basis of accumulated dividends</i>		
Altima UK Value Investments Limited	<b>45,744</b>	45,744
	<u><b>45,744</b></u>	<u>45,744</u>
	<b>=====</b>	<b>=====</b>
<b>Income Statement</b>		
<i>Preference shares finance costs</i>		
Altima UK Value Investments Limited	<b>45,744</b>	45,744
<i>Consultancy fees</i>		
Altima UK Value Investments Limited	<b>868,389</b>	868,389
	<u><b>914,133</b></u>	<u>914,133</u>
	<b>=====</b>	<b>=====</b>
<i>Salaries and other short term benefits to management</i>		
Remuneration to key management	<b>189,904</b>	192,514
	<u><b>189,904</b></u>	<u>192,514</u>
	<b>=====</b>	<b>=====</b>

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

# “Banjalučka pivara” a.d. Banja Luka

## Notes to financial statements (*continued*)

### 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. On the 31<sup>st</sup> of December 2015, the total estimated amount claimed against the Company is BAM 56,264 excluding interest.

For some legal disputes started by Banjalučka pivara, the Company asked for execution of promissory notes. As for the issues of payment of damage to the third parties deriving from legal dealings or certain qualification as a source of danger, the Company is insured in such cases.

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 judgments**

Estimates and judgments 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:

#### ***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 believes 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.

#### ***Impairment 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 – write off of inventories is carried out for material and spare parts which have not been used for a longer period.

### 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.