

“Banjalučka pivara” a.d. Banja Luka

**Annual financial report
for the year ended
31 December 2014**

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 2014

<i>Content:</i>	<i>Page</i>
Management's report	2
Independent Auditor's report	3
Statement of comprehensive income	4
Statement of financial position	5
Statement of changes in equity	6
Statement of cash flows	7
Notes to financial statements	8 – 30

“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 2014.

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 Banjaluka, 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.

Director
Nicholas Penny

25 March 2015



A handwritten signature in black ink, appearing to be "N. Penny", written over the stamp.



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 2014, 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 2014, 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 B-H d.o.o. za reviziju
Podružnica Banja Luka
Jovana Dučića 13
78000 Banja Luka, Republic of Srpska
Bosnia and Herzegovina

Vukotić Vedran
Head of the Banja Luka Branch Office

25 March 2015

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



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 2014

	<i>Note</i>	I-XII-2014 BAM	I-XII-2013 BAM
Revenue	4	40,592,061	38,199,640
Other income	5	1,183,622	982,458
Total revenue		41,775,683	39,182,098
Changes in inventory		217,323	1,044,646
Raw materials, consumables and services used	6	(15,887,154)	(16,290,131)
Staff costs	7	(5,763,532)	(5,549,118)
Depreciation and amortisation expense	11, 12	(6,958,577)	(6,540,672)
Other operating expenses	8	(8,330,084)	(9,649,975)
Profit from operating activities		5,053,659	2,196,848
Finance income	9	2,834,528	2,706
Finance costs	9	(1,470,164)	(1,994,094)
Net finance income/(costs)	9	1,364,364	(1,991,388)
Profit before taxation		6,418,023	205,460
Income tax expense	10	-	-
Profit for the year		6,418,023	205,460
Other comprehensive loss:			
Change in fair value of available-for-sale securities		-	(10,070)
Total comprehensive profit for the year		6,418,023	195,390
Earnings per share		0.29	0.01

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

	<i>Note</i>	I-XII-2014 BAM	I-XII-2013 BAM
ASSETS			
Intangible assets	<i>11</i>	5,909,204	5,925,796
Property, plant and equipment	<i>12</i>	27,206,030	26,843,671
Long term financial assets	<i>13</i>	438,524	459,205
Total non-currents assets		<u>33,553,758</u>	<u>33,228,672</u>
Inventories	<i>14</i>	5,270,057	5,815,160
Trade receivables	<i>15</i>	1,722,221	1,793,920
Other receivables		566,229	115,933
Cash and cash equivalents	<i>16</i>	7,385,049	8,288,766
Total current assets		<u>14,943,556</u>	<u>16,013,779</u>
Total assets		<u>48,497,314</u>	<u>49,242,451</u>
Total assets		<u>48,497,314</u>	<u>49,242,451</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	<i>17</i>	22,300,000	22,300,000
Accumulated losses		(6,100,167)	(6,305,627)
Profit for the year		6,418,023	205,460
TOTAL EQUITY		<u>22,617,856</u>	<u>16,199,833</u>
Liabilities			
Long - term liabilities			
Loans and borrowings	<i>18</i>	8,808,263	11,138,255
Other long-term provisions	<i>19</i>	1,367,825	3,757,905
Total long - term liabilities		<u>10,176,088</u>	<u>14,896,160</u>
Short-term liabilities			
Loans and borrowings	<i>18</i>	9,030,664	11,008,097
Trade payables and other payables	<i>20</i>	6,672,706	7,138,361
Total short-term liabilities		<u>15,703,370</u>	<u>18,146,458</u>
Total liabilities		<u>25,879,458</u>	<u>33,042,618</u>
Total equity and liabilities		<u>48,497,314</u>	<u>49,242,451</u>

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Statement of changes in equity

As at 31 December

	Issued Capital	Fair value reserve	Retained earnings	Total capital
	BAM	BAM	BAM	BAM
As at 1 January 2013	5,680,693	(64,588)	(6,230,969)	(614,864)
Transfers (Note 17)	-	64,588	(64,588)	-
Profit for the year	-	-	205,460	205,460
Change in fair value of available-for-sale securities	-	-	(10,070)	(10,070)
Increase of capital	16,619,307	-	-	16,619,307
As at 31 December 2013	<u>22,300,000</u>	<u>-</u>	<u>(6,100,167)</u>	<u>16,199,833</u>
As at 1 January 2014	22,300,000	-	(6,100,167)	16,199,833
Profit for the year	-	-	6,418,023	6,418,023
As at 31 December 2014	<u>22,300,000</u>	<u>-</u>	<u>317,856</u>	<u>22,617,856</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 December 2014

	I-XII-2014 BAM	I-XII-2013 BAM
Cash flows from operating activities		
Cash receipts from customers and received advance payments	56,411,014	56,617,989
Other cash received from operating activities	755,993	782,990
Cash paid to suppliers - raw materials, expenses and advanced payments	(27,141,512)	(28,999,145)
Cash paid to and on behalf of employees	(5,630,999)	(5,463,051)
Interest paid	(1,255,447)	(3,930,844)
Payments for liabilities from other operating activities	(14,359,604)	(14,032,908)
<i>Net cash from operating activities</i>	<u>8,779,445</u>	<u>4,975,031</u>
Cash flow from investing and placement activities		
Increase in short-term financial placements	49,284	42,401
Interest received	1,154	1,737
Decrease in other long-term financial placements	(53,463)	(75,323)
Purchases of property, plant and equipment	(5,256,246)	(3,650,989)
<i>Net cash from investing activities</i>	<u>(5,259,271)</u>	<u>(3,682,174)</u>
Financing activities		
Increase in financing activities	13,215,878	6,929,319
Decrease in financing activities	(17,639,769)	(43,014,351)
<i>Net (decrease) / increase in financing activities</i>	<u>(4,423,891)</u>	<u>6,929,319</u>
Net (decrease) / increase in cash	(903,717)	8,222,176
Cash and cash equivalents at the beginning of the year	8,288,766	66,590
Cash and cash equivalents at the end of the year	7,385,049	8,288,766

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statement (*continued*)

1. Reporting entity

The company for production of beer “Banjalučka pivara” A.D., Banja Luka (hereinafter: “the Company”) was founded in 1873 and nationalised 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 privatisation 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 (Banjaluka 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 Banjaluka, 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) *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, 2014 the Company’s current liabilities exceed current assets by BAM 759,814 (2013: BAM 2,132,679). Significant current liabilities include bank loans of BAM 8,760,780 (the majority of which mature in 2015).

With respect to the current bank loans and in line with the agreement reached in 2013, according to which the repayment of short term liabilities in the forthcoming years was agreed, and later agreements reached with Hypo bank in 2014, the Company will carry out partial repays of short - term loans every year. For 2014, the agreed amount of short-term loans to be repaid was BAM 700,000 (for 2015 this is BAM 800,000, while the remaining short-term loans should be repaid in 2016.). Revising of the financial situation of the Company and its ability to repay the loans is conducted regularly, on an annual basis. Accordingly, in 2014, due to an increase in available means, in addition to the agreed BAM 700,000, the Company repaid to the bank additional BAM 1.39 million. It is expected that the Company and the banks will still be resolving the issue of repayment of loan obligations of the Company by mutual agreement.

With regards to that, and the fact that short-term liabilities of the Company have significantly reduced in 2013 and 2014, the management believes it is reasonable 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.

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statement (*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) and regulations on additional accounting report – Anex (Official Gazette RS 106/12).

(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 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.

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statement (*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 canceled.

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 recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised 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.

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statement (*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.

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statement (*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) Finance income and costs

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.

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statement (*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.

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statement (*continued*)

4 Revenue

	I-XII-2014 BAM	I-XII-2013 BAM
Revenue from the sale of products - domestic	40,039,960	37,503,547
Revenue from the sale of products - foreign	484,723	596,163
Revenue from the sale of goods - domestic	67,378	99,930
	<u>40,592,061</u>	<u>38,199,640</u>
	<u><u>40,592,061</u></u>	<u><u>38,199,640</u></u>

5 Other income

	I-XII-2014 BAM	I-XII-2013 BAM
Recovery of bad debts	612,656	584,887
Surpluses	145,158	59,242
Income from collected payment for damages	111,669	26,086
Difference from paid and accep. securities for repay, of tax liabilities	52,483	61,002
Income from own work capitalised	38,950	5,315
Income from lease	36,508	55,703
Other income	186,198	43,872
Old disputable payables (foreign suppliers)	-	117,704
Incorrect payments to our accounts	-	28,647
	<u>1,183,622</u>	<u>982,458</u>
	<u><u>1,183,622</u></u>	<u><u>982,458</u></u>

6 Consumables and services used

	I-XII-2014 BAM	I-XII-2013 BAM
Raw materials	12,058,282	12,201,804
Fuel and energy	2,147,051	2,191,634
Other materials	1,631,561	1,832,146
Goods sold at cost	50,260	64,547
	<u>15,887,154</u>	<u>16,290,131</u>
	<u><u>15,887,154</u></u>	<u><u>16,290,131</u></u>

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statement (*continued*)

7 Staff costs

	1-XII-2014 BAM	1-XII-2013 BAM
Wages and salaries	3,055,989	2,857,842
Contributions and taxes	1,922,905	1,898,655
Other staff costs	784,638	792,621
	<u>5,763,532</u>	<u>5,549,118</u>

As of 31 December 2014, number of employees was 246 (2013: 232 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 1,644,650 (2013 BAM 1,597,807) of contributions paid into the social funds of the Republic of Srpska.

8 Other operating expenses

	1-XII-2014 BAM	1-XII-2013 BAM
Advertising and other marketing services	1,714,264	1,767,332
Non-productive service	1,302,738	1,214,819
Transportation	1,233,045	1,692,472
Entertainment and promotional costs	908,512	811,491
Maintenance	713,811	785,873
Correction of value of receivables	581,281	734,872
Other provisions	572,118	641,236
Taxes	406,513	590,317
Losses from disposal of fixed assets	153,521	280,335
Insurance premium	144,968	145,453
Losses from disposal of materials and goods	110,075	558,916
Other miscellaneous costs	106,048	29,633
Other costs	103,516	94,001
Banking services	80,834	101,607
Devaluation of material	78,018	83,302
Rent	52,390	36,879
Contributions costs	30,942	-
Deficits	23,425	63,777
Membership fees	14,065	17,660
	<u>8,330,084</u>	<u>9,649,975</u>

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statement (*continued*)

9 Finance income and cost

	I-XII-2014 BAM	I-XII-2013 BAM
Income from termination of reserves	2,833,332	-
Interest income	1,154	1,737
Foreign exchange gains	42	27
Financial gains from related legal entities	-	942
Total finance income	2,834,528	2,706
Interest expense	(1,424,176)	(1,939,836)
Preference share finance costs	(45,744)	(45,744)
Foreign exchange losses	(244)	(572)
Other expenses	-	(7,942)
Total finance costs	(1,470,164)	(1,994,094)
Net finance income/ (costs)	1,364,364	(1,991,388)

In November 2014, based on a consent provided by the owner of preference shares, expenses related to provisions for preference dividend for the years in which the Company operated with losses, i.e. without undistributed profits above the level of losses accumulated in previous years (as of 31 December 2013) were reversed and booked as a one-off revenue. Total revenue from the reversal of provisions amounts to BAM 2,833,332.

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statement (*continued*)

10 Income tax expense

	I-XII-2014 BAM	I-XII-2013 BAM
Profit before taxation	6,418,023	205,460
Tax at rate of 10%	641,802	20,546
Non-deductible expenses	170,861	219,069
Non-deductible profits	(344,599)	-
Income Tax	468,064	239,615
Used losses from previous years	(468,064)	(239,615)
	<u> </u>	<u> </u>
For payment	-	-
	<u> </u>	<u> </u>
<i>Effective tax rate</i>	-	-
	<u> </u>	<u> </u>

The company has tax losses which can be used as abatement of the future income tax. If not, the used tax losses will expire as follows:

	I-XII-2014 KM	I-XII-2013 KM
2014	286,483	754,547
2015	541,389	541,389
2016	370,111	370,111
2017	22,267	22,267
	<u> </u>	<u> </u>
	1,202,250	1,688,314
	<u> </u>	<u> </u>

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statement (*continued*)

11 Intangible assets

	Permanent right to land BAM	Other rights BAM	Total BAM
<i>At cost</i>			
Balance as at 1 January 2013	5,810,056	177,743	5,987,799
Additions	-	-	-
Balance as at 31 December 2013	5,810,056	177,743	5,987,799
Balance as at 1 January 2014	5,810,056	177,743	5,987,799
Additions	-	-	-
Balance as at 31 December 2014	5,810,056	177,743	5,987,799
<i>Accumulated depreciation and impairment losses</i>			
Balance as at 1 January 2013	-	(45,223)	(45,223)
Charge for the year	-	(16,780)	(16,780)
Balance as at 31 December 2013	-	(62,003)	(62,003)
Balance as at 1 January 2014	-	(62,003)	(62,003)
Charge for the year	-	(16,592)	(16,592)
Balance as at 31 December 2014	-	(78,595)	(78,595)
<i>Net book value:</i>			
As at 31 December 2013	5,810,056	115,740	5,925,796
As at 31 December 2014	5,810,056	99,148	5,909,204

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

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statement (*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 31 December 2012	40,451,184	98,029,569	115,619	138,596,372
Balance as at 1 January 2013	40,451,184	98,029,569	115,619	138,596,372
Additions	-	-	4,101,464	4,101,464
Transfer	80,343	3,990,076	(4,070,419)	-
Surplus / (Deficit)	-	(205,428)	-	(205,428)
Disposals	(18,262)	(21,333,558)	(953)	(21,352,773)
Balance as at 31 December 2013	40,513,265	80,480,659	145,711	121,139,635
Balance as at 1 January 2014	40,513,265	80,480,659	145,711	121,139,635
Additions	-	-	7,474,179	7,474,179
Transfers	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)
Balance as at 31 December 2014	40,805,202	85,051,700	325,153	126,182,055
<i>Accumulated depreciation and impairment losses</i>				
Balance as at 1 January 2013	(27,951,995)	(81,131,159)	-	(109,083,154)
Charge for the year	(785,082)	(5,738,810)	-	(6,523,892)
(Surplus) / Deficit	-	239,598	-	239,598
Disposals	11,597	21,059,887	-	21,071,484
Balance as at 31 December 2013	(28,725,480)	(65,570,484)	-	(94,295,964)
Balance as at 1 January 2014	(28,725,480)	(65,570,484)	-	(94,295,964)
Charge for the year	(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
Balance as at 31 December 2014	(29,316,668)	(69,659,357)	-	(98,976,025)
<i>Net book value</i>				
As at 31 December 2013	11,787,785	14,910,175	145,711	26,843,671
As at 31 December 2014	11,488,534	15,392,343	325,153	27,206,030

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

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statement (*continued*)

13 Long term financial assets

	I-XII-2014 BAM	I-XII-2013 BAM
Other deposits	257,500	257,500
Equity securities	125,192	125,192
Debt securities (bonds)	38,007	54,791
Loans to employees	17,825	21,722
	<u>438,524</u>	<u>459,205</u>
	<u><u>438,524</u></u>	<u><u>459,205</u></u>

14 Inventories

	I-XII-2014 BAM	I-XII-2013 BAM
Expendable material	3,811,941	3,004,951
Work in progress	986,736	1,089,827
Finished goods	289,810	616,096
Advances given	175,530	1,078,417
Commercial Goods	6,040	25,869
	<u>5,270,057</u>	<u>5,815,160</u>
	<u><u>5,270,057</u></u>	<u><u>5,815,160</u></u>

15 Trade receivables

	I-XII-2014 BAM	I-XII-2013 BAM
Trade receivables - domestic	4,754,444	4,995,020
Trade receivables - foreign	387,306	364,757
Correction of value	(3,419,529)	(3,565,857)
	<u>1,722,221</u>	<u>1,793,920</u>
	<u><u>1,722,221</u></u>	<u><u>1,793,920</u></u>

16 Cash and cash equivalents

	I-XII-2014 BAM	I-XII-2013 BAM
Money in banks	7,381,256	8,287,908
Cash in hand	3,793	858
	<u>7,385,049</u>	<u>8,288,766</u>
	<u><u>7,385,049</u></u>	<u><u>8,288,766</u></u>

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statement (*continued*)

17 Capital

	I-XII-2014 BAM	I-XII-2013 BAM
Share capital	22,300,000	5,680,693

In 2013, the Company increased capital on the basis of the VII emission of shares, in which 16,619,307 regular (ordinary) shares, class “A” of BAM 1.00 nominal value worth BAM 16,619,307 in total, were issued. The total amount was paid in cash.

The structure of share capital as at 31.12.2014 and 31.12.2013. is as follows:

	I-XII-2014 %	I-XII-2014 BAM	I-XII-2013 %	I-XII-2013 BAM
Altima Global Special Situations Fund Ltd	82,42%	18,379,955	82,42%	18,379,955
Altima UK Value Investments Limited	6,84%	1,524,812	6,84%	1,524,812
Internal stakeholders and shareholders on the basis of voucher offer	8,73%	1,946,763	8,73%	1,946,763
PREF a.d. Banja Luka	1,34%	299,223	1,34%	299,223
Restitution Fund RS AD Banja Luka	0,67%	149,247	0,67%	149,247
		22,300,000		22,300,000

The share capital of the Company consists of 20,775,188 ordinary shares and 1,524,812 preference shares with a nominal value of BAM 1 per share as at 31 December 2014.

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statement (*continued*)

18 Loans and borrowings

	1-XII-2014	1-XII-2013
	BAM	BAM
<i>Long-term liabilities</i>		
Hypo Alpe Adria a.d. Banja Luka	8,571,942	10,716,719
Municipality of Banja Luka, Republic of Srpska	89,100	111,375
Raiffeisen Leasing d.o.o, Sarajevo	77,576	209,091
UniCredit Leasing d.o.o. Sarajevo	69,645	101,070
	<u>8,808,263</u>	<u>11,138,255</u>
<i>Short-term liabilities</i>		
Hypo Alpe Adria a.d. Banja Luka	8,760,780	7,609,226
Hypo Alpe Adria a.d. Mostar	-	3,130,000
Raiffeisen Leasing d.o.o. Sarajevo	138,931	135,047
UniCredit Leasing d.o.o. Sarajevo	108,678	111,549
Municipality of Banja Luka, Republic of Srpska	22,275	22,275
	<u>9,030,664</u>	<u>11,008,097</u>
	<u>17,838,927</u>	<u>22,146,352</u>

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statement (*continued*)

18 Loans and borrowings (*continued*)

Interest rates and repayment terms on 31 December, 2014 are as follows:

<i>Interest-bearing loans and borrowings</i>	Interest rate	Total 2014 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%	10,542,722	1,970,780	2,273,463	2,409,871	2,554,463	1,334,145
Municipality of Banja Luka, Republic of Srpska (utility fees - reprogram), Maturity to December 2020	-	55,272	11,054	11,054	11,054	11,054	11,056
Municipality of Banja Luka, Republic of Srpska (building land)	-	56,103	11,221	11,221	11,221	11,220	11,220
Hypo Alpe Adria d.d. Banja Luka, BAM 1,390,000, Maturity to May 2015	6,20%	1,390,000	1,390,000	-	-	-	-
Hypo Alpe Adria d.d. Banja Luka, BAM 1,800,000, Maturity to April 2015	6,20%	1,800,000	1,800,000	-	-	-	-
Hypo Alpe Adria a.d. Banja Luka, BAM 1,800,000, Maturity to March 2015	6,20%	1,800,000	1,800,000	-	-	-	-
Hypo Alpe Adria a.d. Banja Luka, BAM 1,800,000 Maturity to February 2015	6,20%	1,800,000	1,800,000	-	-	-	-
UniCredit Leasing d.o.o Sarajevo	6,85% - 7,82%	178,322	108,678	58,518	11,126	-	-
Raiffeisen Leasing d.o.o Sarajevo	7,94%- 8,29%	216,508	138,931	72,122	5,455	-	-
Total loans and borrowings		17,838,927	9,030,664	2,426,378	2,448,727	2,576,737	1,356,421

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statement (*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 notarised 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 three years are grouping of credit liabilities towards the bank in two groups, short-term and long-term loans. Installments of the long-term loan (BAM 20 million), used for financing of building and equipping of beer filling plant, with maturity on June 2019, are paid regularly at monthly level, along with the related interest.

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 short-term loans. In the first half of 2014, the previous loan from this framework of BAM 5.4 million as well as the loan from Hypo Alpe Adria Bank d.d. Mostar amounting to BAM 2.78 million were closed by replacement loans maturing in the period of 12 months (3x BAM 1.8 million and 2x BAM 1.39 million) for which a lower interest rate was agreed (6.2%). Two loans in the amount of BAM 350,000, with maturity December 2014, were repaid in line with the reached agreement with the Bank (agreement from 2013, according to which the amount of BAM 800,000 of short-term loans is to be repaid in 2015, while the remaining part of the loans matures in 2016). Additionally, due to a stronger financial position of the Company, additional BAM 1.39 million was repaid to the Bank in November, 2014. The Company regularly repays interest on the short-term loans, and every year, the Company and the Bank jointly consider financial situation of the Company and a possibility for repayment of short-term loans, so there is a possibility of correction of agreement on repayment of short term liabilities from 2013. It is expected that the Company and the banks will still be resolving the issue of repayment of loan obligations of the Company by mutual agreement.

During the previous negotiations on restructuring of 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 1 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 30 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 31 December 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.). Repayment of loans to Hypo Bank Mostar closed all liabilities towards that bank. In late 2014, an agreement was reached with Hypo Bank Banja Luka according to which the Company’s liability in 2015 to repay of 50% of the concerned penalty interest (since the Company reached the annual level of EBITDA in excess of BAM 10 million in 2014) will cease to exist if the Company does not prematurely close a part or any of the loans with Hypo bank using the assets from a different business bank.

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statement (*continued*)

19 Long-term provisions

	I-XII-2014 BAM	I-XII-2013 BAM
Provisions for other financial expenses	1,322,080	924,574
Provision for dividends on preference shares	45,745	2,833,331
	<u>1,367,825</u>	<u>3,757,905</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 2014 amounts to BAM 45,744 and is calculated as 3% of the amount of BAM 1,524,812.

In November 2014, based on a consent provided by the owner of preference shares, expenses related to provisions for preferential dividend for the years in which the Company operated with losses, i.e. without undistributed profits above the level of losses accumulated in previous years (as of 31 December 2013) were reversed and booked as a one-off revenue. Total revenue from the reversal of provisions amounts to BAM 2,833,332 as it is stated in Note 9. *Finance income and costs*.

20 Trade payables and other payable

	I-XII-2014 BAM	I-XII-2013 BAM
Domestic trade payables	2,031,763	2,432,597
Received advance payments, deposits	1,787,226	1,558,834
Foreign trade payables	806,155	1,558,090
Liabilities for VAT	801,641	309,750
Excise duty	653,577	560,964
Accrued expenses	264,653	236,995
Taxes and contributions	161,508	152,967
Liabilities for other taxes	61,200	228,941
Fees for forests, water and fire protection	28,417	25,933
Liabilities to employees	18,177	17,564
Liabilities for interest	1,905	2,747
Other liabilities	56,484	52,979
	<u>6,672,706</u>	<u>7,138,361</u>

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statement (*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.

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statement (*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	More than 5 years
31 December 2014							
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	-
	<u>24,511,633</u>	<u>26,050,339</u>	<u>14,816,018</u>	<u>1,495,104</u>	<u>2,870,673</u>	<u>6,868,544</u>	<u>-</u>
31 December 2013							
Trade and other payables	7,138,361	7,138,361	7,138,361	-	-	-	-
Borrowings on which the interest is paid	22,146,352	24,617,777	10,081,008	1,889,194	2,964,406	8,303,927	1,379,242
	<u>29,284,713</u>	<u>31,756,138</u>	<u>17,219,369</u>	<u>1,889,194</u>	<u>2,964,406</u>	<u>8,303,927</u>	<u>1,379,242</u>

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

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statement (*continued*)

22 Related party transactions

Significant transactions with related parties are given below:

	I-XII-2014 BAM	I-XII-2013 BAM
Balance sheet		
<i>Short-term liabilities on the basis of accumulated dividends</i>		
Altima UK Value Investments Limited	45,745	2,833,331
	<u>45,745</u>	<u>2,833,331</u>
	<u><u> </u></u>	<u><u> </u></u>
Income Statement	I-XII-2014	I-XII-2013
<i>Interest</i>		
Altima Group (GSO & GSS Master Fund, Altima Partners)	-	413,971
<i>Preference shares finance costs</i>		
Altima UK Value Investments Limited	45,745	45,744
<i>Consultancy fees</i>		
Altima UK Value Investments Limited	868,389	766,934
	<u>868,389</u>	<u>766,934</u>
	<u><u>914,134</u></u>	<u><u>1,226,649</u></u>

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statement (*continued*)

22. Related party transactions (*continued*)

	I-XII-2014 BAM	I-XII-2013 BAM
<i>Salaries and other short term benefits to management</i>		
Remuneration to key management	192,514	187,403

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 labor relations, which are addressed or considered in the normal course of business. On the 31 December 2014, the total estimated amount claimed against the Company is BAM 223,304 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:

Going concern

For the reasons given in Note 2 to these financial statements, management believes 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 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.

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.

The accompanying notes form an integral part of these financial statements

“Banjalučka pivara” a.d. Banja Luka

Notes to financial statement (*continued*)

24. **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.

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.

The accompanying notes form an integral part of these financial statements