



**AKCINĖ BENDROVĖ**

**GUBERNIJA, AB  
UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE TWELVE MONTHS OF 2013**

February, 2014

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## COMPANY DETAILS

### AB "Gubernija"

Telephone: +370 41 591900  
Telefax: +370 41 591911  
Company code: 144715765  
Registered at: Dvaro Str.179, LT-76176 Siauliai, Lithuania

### Board

Romualdas Dunauskas, Chairman  
Lina Dunauskaitė  
Augustinas Radavicius  
Sigitas Vilciauskas  
Muradas Bakanas

### Management

Vijoleta Dunauskienė, General Manager

### Auditor

Siaulių Pagaute UAB

### Banks

AB „SEB bankas“  
AB „Swedbank“  
AB „Šiaulių bankas“



AKCINĖ BENDROVĖ

### CONFIRMATION OF RESPONSIBLE PERSONS

Following 22 article of the the Law on Securities Market of the Respublic of Lithuania and Rules on Prepatation and Submission of Periodic and Additional Information of the Lithuanian Securities Commision, we, the General Manager of the Gubernija, AB Vijoleta Dunauskiene and the Finance director of the Gubernija, AB Vygintas Buivys, hereby confirm that, to the best of our knowledge the unaudited interim Financial Statements for the twelve months of the year 2013 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted to be used in the European Union, give a true and fair view of the assets, liabilities, financial position and profit or loss and cash flow of Gubernija, AB.

General Manager

Vijoleta Dunauskiene

Finance director

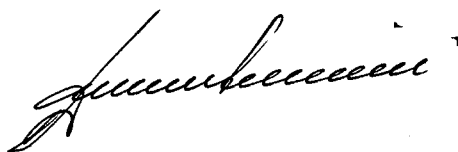
Vygintas Buivys

Siauliai,  
27-02-2014

**STATEMENT OF FINANCIAL POSITION (LTL thousand)**

ASSETS	NOTES	2013.12.31	2012.12.31
<b>LONG TERM ASSETS</b>		<b>30.031</b>	<b>30.729</b>
INTANGIBLE ASSETS	1	16	17
TANGIBLE ASSETS	2	29.998	30.695
Land			
Buildings		18.330	16.975
Other tangible assets		11.668	13.719
INVESTMENTS PROPERTY	3	17	17
<b>CURRENT ASSETS</b>		<b>8.613</b>	<b>7.094</b>
INVENTORIES AND NOT COMPLETED WORKS	4	3.936	3.936
Inventories		3.436	3.644
Prepayments		8	292
Not completed works			
CURRENT RECEIVABLES	5	4.421	2.576
INVESTMENTS AND TERM DEPOSITS	6	288	288
CASH AND CASH EQUIVALENTS	7	63	294
<b>TOTAL ASSETS</b>		<b>38.644</b>	<b>37.823</b>
<b>EQUITY AND LIABILITIES</b>			
	NOTES	2013.12.31	2012.12.31
<b>EQUITY</b>	<b>8</b>	<b>8.680</b>	<b>8.650</b>
SHARE CAPITAL		16.130	16.130
REVALUATION RESERVE		11.138	10.628
OTHER RESERVES		0	0
RETAINED EARNINGS (LOSS)		(18.589)	(18.107)
<b>LIABILITIES</b>		<b>29.964</b>	<b>29.173</b>
NON CURRENT LIABILITIES		17.790	5.738
Financial liabilities	9	15.902	3.940
Obligations of the deferred tax	10	1.888	1.798
CURRENT LIABILITIES		12.174	23.435
Financial liabilities	9	4.167	16.723
Trade payables	11	3.957	2.595
Received prepayments	11	19	678
Taxes, salaries and social security	11	1.268	1.263
Other current obligations	11	2.763	2.176
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>38.644</b>	<b>37.823</b>

General Manager



Vijoleta Dunauskiene

Finance Manager

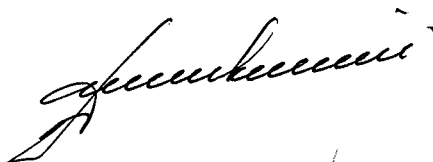


Vyginas Buivys

## STATEMENT OF COMPREHENSIVE INCOME (LTL thousand)

Items	NOTES	2013.12.31	2012.12.31
<b>INCOMES FROM SALES</b>	<b>12</b>	<b>40 261</b>	<b>43 305</b>
<b>OTHER ACTIVITY INCOMES FROM SALES</b>	<b>13</b>	<b>137</b>	<b>11</b>
<b>EXPENSES</b>		<b>41 091</b>	<b>43 523</b>
Value changes of production and work in progress		( 88)	37
Materials	4	16 653	18 561
Related to employees		6 540	6 531
Amortization and depreciation	1,2	2 652	2 661
Impairment or receivables	5	56	43
Other		15 278	15 690
<b>FINANCIAL AND INVESTING ACTIVITIES</b>	<b>14</b>	<b>( 789)</b>	<b>( 1181)</b>
Income		9	31
Expenses		798	1 212
<b>CURRENT YEAR PROFIT (LOSS) BEFORE TAXES</b>	<b>10</b>	<b>( 1 481)</b>	<b>( 1 383)</b>
<b>PROFIT TAX</b>		<b>( 150)</b>	<b>( 139)</b>
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>		<b>( 1 331)</b>	<b>( 1 244)</b>
<b>PROFIT (LOSS) FROM THE PROHIBITED ACTIVITIES</b>			
<b>NET PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>		<b>( 1 331)</b>	<b>( 1 244)</b>
<b>OTHER COMPREHENSIVE INCOMES</b>	<b>2</b>	<b>851</b>	<b>787</b>
Profit/loss from changes of Revaluation reserves		851	787
<b>PROFIT TAX FROM OTHER COMPREHENSIVE INCOMES</b>			
<b>OTHER COMPREHENSIVE INCOMES LESS PROFIT TAX</b>		<b>851</b>	<b>787</b>
<b>NET PROFIT (LOSS)</b>		<b>( 480)</b>	<b>( 457)</b>
<b>Profit (loss) for the one share (LTL)</b>		<b>-0,30</b>	<b>-0,28</b>

General Manager



Vijoleta Dunauskiene

Finance Manager

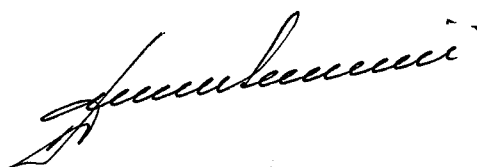


Vyngintas Buivys

## STATEMENT OF COMPREHENSIVE INCOME (LTL thousand)

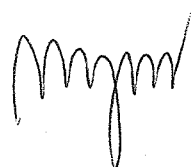
Items	NOTES	2013.10.01 2013.12.31	2012.10.01 2012.12.31
<b>INCOMES FROM SALES</b>	<b>12</b>	<b>8 912</b>	<b>8 830</b>
<b>OTHER ACTIVITY INCOMES FROM SALES</b>	<b>13</b>	<b>7</b>	<b>6</b>
<b>EXPENSES</b>		<b>9 790</b>	<b>9 711</b>
Value changes of production and work in progress		1	43
Materials	4	3 525	3 332
Related to employees		1 668	1 584
Amortization and depreciation	1,2	606	687
Impairment or receivables	5	56	43
Other		3 934	4 022
<b>FINANCIAL AND INVESTING ACTIVITIES</b>	<b>14</b>	<b>( 261)</b>	<b>( 249)</b>
Income		2	20
Expenses		263	269
<b>CURRENT YEAR PROFIT (LOSS) BEFORE TAXES</b>	<b>10</b>	<b>( 1 132)</b>	<b>( 1 125)</b>
<b>PROFIT TAX</b>		<b>( 32)</b>	<b>( 35)</b>
<b>PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>		<b>( 1 100)</b>	<b>( 1 090)</b>
<b>PROFIT (LOSS) FROM THE PROHIBITED ACTIVITIES</b>			
<b>NET PROFIT (LOSS) FROM CONTINUING OPERATIONS</b>		<b>( 1 100)</b>	<b>( 1 090)</b>
<b>OTHER COMPREHENSIVE INCOMES</b>	<b>2</b>	<b>181</b>	<b>197</b>
Profit/loss from changes of Revaluation reserves		181	197
<b>PROFIT TAX FROM OTHER COMPREHENSIVE INCOMES</b>			
<b>OTHER COMPREHENSIVE INCOMES LESS PROFIT TAX</b>		<b>181</b>	<b>197</b>
<b>NET PROFIT (LOSS)</b>		<b>( 919)</b>	<b>( 893)</b>
<b>Profit (loss) for the one share (LTL)</b>		<b>-0,057</b>	<b>-0,055</b>

General Manager



Vijoleta Dunauskiene

Finance Manager




Vyginas Buivys

**CASH FLOW STATEMENT (LTL thousand)**

	NOTES	2013.12.31	2012.12.31
<b>Operating activities:</b>			
<b>Profit(loss)</b>		<b>(1 331)</b>	<b>(1 244)</b>
<b>Corrections due to:</b>			
Depreciation, amortization and devaluation	1.2	2 652	2 661
Alienation of long-term tangible and intangible assets		63	(5)
Elimination of financing and investing activity results:			
Expenditure of interests	14	678	819
Other		102	390
Decrease (increase) in inventory	4	208	391
Decrease (increase) in advances received	4	(112)	(62)
Decrease (increase) in contracts in progress	4		7
Decrease (increase) in trade receivables	5	(1 840)	2 025
Decrease (increase) in other amounts receivable	5	(6)	67
Increase (decrease) in long-term debts to suppliers and prepayments			
Increase (decrease) in short-term debts to suppliers and prepayments	11	956	(525)
Increase (decrease) of the deferred profit tax	10	90	309
Increase (decrease) in liabilities related to labour relations	11	5	(75)
Increase (decrease) in other amounts payable and liabilities	11	720	(2 179)
Elimination of non-cash items		(240)	(448)
<b>Net cash flows from the main activities</b>		<b>1 944</b>	<b>2 130</b>
<b>Cash flows from investing activities:</b>			
Acquisition of non-current assets (excluding investments)	1.2	(433)	(898)
Transfer of non-current assets (excluding investments)		18	7
<b>Net cash flows from investing activities</b>			
<b>Cash flows from financing activities:</b>			
<b>Increase in financial debts:</b>		<b>(415)</b>	<b>(891)</b>
Leasing financing received	9	1 855	3 652
Loans repaid		106	105
Interest paid		(2 740)	(3 154)
Payments of lease (finance lease) liabilities		(879)	(1 512)
Increase of other obligations of the Company		(103)	(104)
<b>Net cash flows from financing activities</b>		<b>(1 760)</b>	<b>(1 013)</b>
<b>The effects of changes in foreign exchange rates on cash and cash equivalents balance</b>			<b>(7)</b>
<b>Net increase (decrease) in cash flows</b>		<b>(232)</b>	<b>226</b>
<b>Cash and cash equivalents at the beginning of period</b>		<b>295</b>	<b>76</b>
<b>Cash and cash equivalents at the end of period</b>		<b>63</b>	<b>295</b>

General Manager



Vijoleta Dunauskiene

Finance Manager



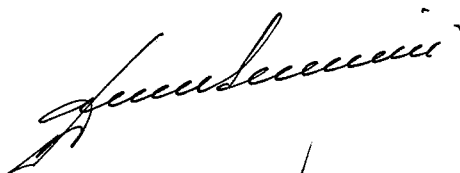
Vyginas Buivys



## STATEMENT OF CHANGES IN EQUITY (LTL thousand)

	Notes	Share Capital	Revaluation Reserve	Retained Earnings (loss)	Total
<b>1. Balance at 2011-12-31</b>		<b>16 130</b>	<b>8 877</b>	<b>( 17 876)</b>	<b>7 130</b>
2. Result of correcting essential errors	17			226	226
<b>3. Recalculated balance at 2011-12-31</b>		<b>16 130</b>	<b>8 877</b>	<b>( 17 650)</b>	<b>7 356</b>
4. Decrease in revaluation reserve due to depreciation or write-off of revalued assets			( 787)	787	
5. Revaluation of the tangible fixed asset	2		2 537		2 537
6. Net profit				( 1 244)	( 1 244)
<b>7. Balance at 2012-12-31</b>		<b>16 130</b>	<b>10 628</b>	<b>( 18 107)</b>	<b>8 650</b>
8. Decrease in revaluation reserve due to depreciation or write-off of revalued assets			( 851)	851	
9. Revaluation of the tangible fixed asset	2		1 361		1 361
10. Net profit				( 1 331)	( 1 331)
<b>11 Balance at 2013-12-31</b>		<b>16 130</b>	<b>11 138</b>	<b>( 18 588)</b>	<b>8 680</b>

General Manager



Vijoleta Dunauskiene

Finance Manager



Vyintas Buivys

## THE DECLARATORY LETTER

### GENERAL INFORMATION

AB "Gubernija" (hereinafter - the Company) was registered on May 5, 1993 in the registry of the legal entities. The code of the Company is 144715765. The manager of the registry is the national enterprise "Registry centre".

The main activity of the Company is production and sales of beer, beer drinks and kvass in the local market, abroad, and specialty shops. The Company has 9 branded stories in Lithuania, Office and wholesale warehouse (Kalvarijų 204 B, Vilnius).

Traditional technologies are used in production of the beer and kvass in the company „Gubernija”, a natural method of fermentation is applied, non malt substances are not used.

Main shareholders at 30 th June, 2013:

Shareholder	The part of available authorized capital, %	Available part of votes, %
Vitas Tomkus	28.58	28.58
Romualdas Dunauskas,	26.11	26.11
Javelin Finance,	10.87	10.87
Larisa Afanaseva	10.44	0
Respublikos spaustuve UAB	9.95	9.95
Takhir Shabaev	5.28	0
Sigitas Vilciauskas	0	15.72

On 31<sup>th</sup> December of the last 2012 year there were 185 employees, and on 31<sup>th</sup> December of the reporting year 2013 there were 185 employees.

The interim financial statements are announced on the webpage of the Company [www.gubernija.lt](http://www.gubernija.lt).

### SIGNIFICANT ACCOUNTING POLICIES

#### Statement of compliance

The financial statements of AB Gubernija have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The Board of the Company approved these financial statements for issue to the shareholders on 27 August 2013.

Management does not prepare consolidated statements, as there are no subsidiaries.

**Basis of preparation**

The financial statements are presented in Litas being the functional currency of the Company, and are prepared on the historical cost basis, except for land and buildings which are stated at revalued amount.

The preparation of financial statements in conformity with IFRS, as adopted by the EU, requires management to make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments and estimates made by management in the application of IFRSs adopted in the EU that have significant effect on the financial statements are discussed on page 23.

**Derivative financial instruments**

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of the derivative, and the combined instrument is not measured at fair value though profit and loss.

Derivatives are recognized initially at fair value: attributable transaction costs are recognized in the statement of comprehensive income when incurred. Subsequently to initial recognition, derivatives are measured at fair value, and changes therein are accounted in profit and loss.

**Foreign currency transactions**

Transactions in foreign currencies are translated to Litas at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Litas at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognized in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Litas at foreign exchange rates ruling at the dates the fair value was determined.

**Intangible assets**

Intangible assets acquired by the Company with a definite useful life are stated at cost less accumulated amortization and impairment losses.

#### *Subsequent expenditure*

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

#### *Amortization*

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortized from the date they are available for use. The estimated useful lives are 1 to 3 years.

### **Property, plant and equipment**

#### *Owned assets*

Property, plant and equipment (except for land and buildings) are stated at cost less accumulated depreciation and impairment losses. Land and buildings are stated at a revalued amount less accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Borrowing costs that are directly attributable to the acquisition, construction or production of an item of property, plant and equipment where substantial period of time is necessary to get ready the asset for its intended use, are capitalized as part of cost of the asset.

The revaluation reserve is reduced annually in proportion to the depreciation of the revaluation increase, by a transfer from revaluation reserve to retained earnings as the asset is depreciated with the balance being transferred upon ultimate disposal.

Cost of self-constructed property, plant and equipment includes costs related to materials and direct labor costs as well as related indirect costs.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment and are depreciated over their expected useful lifetime.

Useful lives, residual amounts and depreciation methods are reviewed at each reporting date.

#### *Leased assets*

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets used by way of finance lease are recognized as assets of the company and are stated at the lower of their fair value in the beginning of the lease and the present

value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

#### *Subsequent expenditure*

Costs incurred when replacing a component part of an item of property, plant and equipment are capitalized only upon write-off of the carrying amount of the component and if it is probable that the future economic benefits embodied with the item will flow to the Company and the cost of the component part can be measured reliably. All other costs are recognized in profit or loss as an expense as incurred.

#### *Depreciation*

Depreciation (except for land which is not depreciated) is charged to 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 25 - 90 years
- tanks 10-25 years
- machinery and equipment 7 - 25 years
- vehicles other property, plant and equipment 3 - 10 years

#### **Financial instruments**

Financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, or available-for-sale financial assets, as appropriate. All purchases and sales of financial assets are recognized on the trade date. When financial assets are recognized initially, they are measured at fair value, plus, in the case of financial instruments not at fair value through profit or loss, directly attributable transaction costs.

#### *Investments in equity securities*

Investments in equity securities are classified as available-for-sale and at initial recognition are stated at fair value plus the related direct costs. Subsequently the investments are revalued to fair value carrying the gain or loss on their revaluation through other comprehensive income to equity. Impairment losses, if any, are included in profit or loss if the fair value decline is considered to be prolonged or significant. When the investments are sold, the accrued gain or loss previously recognized under equity, is recognized in the statement of comprehensive income. If the fair value cannot be determined reliably, the investments in equity securities are stated at cost less impairment losses.

The fair value of financial instruments available for sale is their quoted price at the reporting date.

Financial instruments classified as available for sale are recognized / derecognised by the Company on the date it commits to purchase / sell the instruments.

#### *Other financial instruments*

Trade receivables of the Company are not traded in an active market. They are included in current assets except for maturities greater than 12 months and are classified as loans and receivables. Trade receivables and other receivables are initially recognized at fair value plus transaction costs

that are directly attributable to the acquisition or origination of the financial asset. Subsequently, loans and receivables are measured at amortized cost using the effective interest rate method, less impairment, if any. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial assets or liability (or, where appropriate, a shorter period) to carrying amount of the financial asset and liability. Short-term receivables are not discounted.

Borrowings are initially recognized at fair value. Subsequent to initial recognition, liabilities are stated at amortized cost on an effective interest method basis. Trade payables are initially recognized at fair value and are subsequently measured at amortized cost. Short-term liabilities are not discounted.

### **Inventories**

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

### **Cash and cash equivalents**

Cash includes cash on hand and cash in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call in banks, other short-term highly liquid investments.

### **Impairment**

#### *Impairment of non-financial assets*

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

Intangible assets that are not yet available for use, the recoverable amount is estimated at each reporting date.

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

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. When a decline in the fair value of an available-for-sale financial asset has been recognized through other comprehensive income to equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized in equity is recognized in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss

that is recognized in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

#### *Calculation of recoverable amount*

The recoverable amount of the Company's loans and receivables carried at amortized cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets).

The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

#### *Reversals of impairment*

An impairment loss in respect of receivables carried at amortized cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the statement of comprehensive income.

Impairment of goodwill is not reversed. Impairment loss in respect of other assets is reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

#### **Acquisition of treasury shares**

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity. Repurchased shares are classified as treasury shares and presented as a deduction from total equity.

#### **Dividends**

Dividends are recognized as a liability in the period in which they are declared.

Withholding taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend.

#### **Provisions**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits, which can be reliably estimated, will be required to settle the obligation. The amount

recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation the provision is reversed. The provision is used only for expenditures for which the provision was originally recognized. When the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. If the discounting method is applied, the increase of provisions with time is recognized as financial expenses.

### **Employee benefits**

Short-term employee benefits are recognized as a current expense in the period when employees render the services. These include salaries and wages, social security contributions, bonuses, payable holidays and other benefits. There are no long-term employee benefits. All pension obligations are borne by the State.

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is firmly committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

### **Revenue**

#### *Goods sold and services rendered*

Revenue from the sale of goods is recognized in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. The revenue recognized is net of discounts provided. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. Rental income is recognized in profit or loss on a straight-line basis over the term of the lease.

No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods exists or where substantial risks and rewards cannot be considered as transferred to the buyer.

#### *Government grants*

A government grant is recognized in the statement of financial position when there is reasonable assurance that it will be received and that the Company will comply with the conditions attaching to it. Government grants intended to compensate the Company for expenses incurred are recognized as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Government grants that compensate the Company for the cost of an asset are recognized in the statement of comprehensive income as other operating income on a systematic basis over the useful life of the asset.

### **Costs**

#### *Operating lease payments*



Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

#### *Financial lease payments*

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

#### *Other operating income and charges*

Other operating income and charges comprise gains and losses from sale of property, plant and equipment, and other items, which are not directly related to the primary activities of the Company.

#### *Finance income and finance costs*

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method and foreign exchange losses. The interest expense component of finance lease payments is recognized in profit or loss using the effective interest rate method.

Finance income comprises interest receivable on funds invested, dividend income and foreign exchange gains. Interest income is recognized in profit or loss as it accrues, using the effective interest method. Dividend income is recognized in profit or loss on the date the entity's right to receive payments is established.

### **Segments**

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

### **Income tax**

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

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

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax

provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

### **Basic and diluted earnings per share**

Basic earnings per share is calculated by dividing net profit attributable to ordinary equity holders by the weighted average number of ordinary shares. As there are no instruments that dilute equity, the basic and diluted earnings per share do not differ.

### **Financial risk management**

In its activities the Company is exposed to various financial risks: market risk (including currency risk, interest rate risk, fair value and price risks), credit risk and liquidity risk. General risk management policy establishment and supervision is the responsibility of the Board of directors. Risk management policy was set up in order to identify and analyze risks facing the Company, and determine risk acceptance limits. Risk management policy and processes are reviewed regularly considering changes in the markets and activities of the Company. The Company, applying learning and management standards and procedures, aims to establish constructive control environment where all employees clearly realize their functions and responsibilities. The Company's management pays the greatest attention to unpredictability of financial markets and aims to decrease its eventual impact on the Company's financial performance. From time to time the Company can use a derivative financial instrument in order to hedge certain risks.

#### ***a) Market risk***

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

#### ***b) Currency risk***

Currency risk relates to sales and receivables, purchases and payables, borrowings and borrowing costs denominated in currencies other than Litas and Euro (Litas is pegged to Euro at a fixed exchange rate of 3,4528 LTL / EUR). There are no other material monetary items denominated in currencies other than Litas and Euro.

#### ***c) 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, and arises principally from the Company's receivables from customers.

The Company has established procedures ensuring that sales are made to customers having a proper credit history without exceeding the limit of credit risk set by management. The company has a significant concentration of credit risk on the basis of individual of customers.

#### ***d) Liquidity risk***

A conservative management of liquidity risk enables the company to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities.

**e) Interest rate risk**

The Company's borrowings are subject to variable interest rates, related to LIBOR, VILIBOR or EURIBOR.

**Capital management**

The Board's policy is to keep the shareholders' equity over borrowings at the level to maintain the confidence of investors, creditors and the market and to fund business development opportunities in the future. The Board keeps track on the ratios of capital return and makes suggestions regarding proposed dividends.

The Board also seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the security afforded by a sound capital position.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2013.

According to the Companies Law of the Republic of Lithuania, the Company's equity shall be not less than 50% of its share capital.

**Standards, interpretations and amendments to published standards that are not yet effective**

The accounting policies applied by the Company to all financial information reported in these financial statements are consistent with the accounting policies of the previous year. New IFRS's which became effective in 2013 did not have material impact on the financial statements.

**NOTES TO THE FINANCIAL STATEMENTS**

**Note No 01 - The status of the intangible assets (LTL thousand)**

Items	Patents, licenses and etc.	Software	Other intangible assets	Total
<b>Residual value at 2012-12-31</b>			<b>17</b>	<b>17</b>
<b>a) Long term intangible assets in acquisition value</b>				
at 2012-12-31	327	111	83	521
Acquisition of assets			7	7
Disposals			1	
at 2013-12-31	<b>327</b>	<b>111</b>	<b>90</b>	<b>528</b>
<b>b) Depreciation</b>				

at 2012-12-31	327	111	66	504
- current year depreciation			8	8
at 2013-12-31	327	111	74	513
<b>c) Residual value at 2013-12-31</b>			<b>16</b>	<b>16</b>

Amortization of intangible assets is included in depreciation and amortization expenses.

The cost of acquisition of intangible long-term assets which are fully depreciated but are still in use, on 31 December 2013 was LTL 457 thousand (in 2012 it was LTL 457 thousand).

### Note No 02 - The status of the tangible assets (LTL thousand)

Items	Buildings and constructions	Machinery and equipments	Tanks	Vehicle	Comes fixed assets	Other tangible assets	Construction in progress	Total
<b>Residual value at 2012-12-31</b>	<b>16 975</b>	<b>6 135</b>	<b>5 961</b>	<b>463</b>		<b>451</b>	<b>710</b>	<b>30 695</b>
<b>a) Acquisition costs</b>								
at 2012-12-31	14 191	28 269	7 153	3 046		7 439	710	60 807
- acquisition of assets	15	96		88	161	66		426
- cessations and disused assets (-)	(46)	( 687)		( 94)		( 336)		( 1 164)
- Transfers from one heading to another	743	76	( 1)		( 161)	51	( 710)	
<b>at 2013-12-31</b>	<b>14 191</b>	<b>27 754</b>	<b>7 152</b>	<b>3 040</b>		<b>7 220</b>		<b>60 070</b>
<b>b) Revaluation</b>								
at 2012-12-31	13 299		2 985					16 284
- value increase (decrease) + / (-)	1 602							1 602
<b>at 2013-12-31</b>	<b>14 901</b>		<b>2 985</b>					<b>17 886</b>
<b>c) Depreciation</b>								
at 2012-12-31	10 515	22 134	4 177	2 582		6 987		46 397
- current year depreciation	225	893	217	133		175		1 642
- depreciation of revalued assets	( 46)		222					1 001
- acquired by third parties and write off assets depreciation (-)		( 612)	( 1)	( 94)		( 331)		( 1 083)
<b>at 2013-12-31</b>	<b>11 473</b>	<b>22 416</b>	<b>4 615</b>	<b>2 621</b>		<b>6 831</b>		<b>47 957</b>
<b>e) Residual value at 2013-12-31</b>	<b>18 330</b>	<b>5 338</b>	<b>5 522</b>	<b>418</b>		<b>389</b>		<b>29 998</b>
<b>(a) + (b) - (c)</b>								

#### Revaluation of long-term tangible assets

On 2004-10-08 with presence of independent appraiser, evaluation was carried out for the buildings, structures and other fixed assets. General value of revaluated tangible assets was LTL 37 976 thousand. Evaluation methods were chosen according to the assessment case and nature of the assets: comparative value, use income value and replacement value. Accounting recorded increase in the long-term tangible assets value by LTL 5 828 thousand, revaluation reserve of LTL 4 954 thousand was formed and deferred tax of LTL 874 thousand. In 2008 in order to account equipment the revaluation method was changed into the cost method, at the same time rejecting the equipment acquisition cost, revaluation reserve and deferred tax.

On 2008-07-01 with presence of independent appraiser, assessment of the buildings and structures was carried out. General value of revaluated tangible assets was LTL 20 174 thousand. Assessment methods used: comparative value and use income value. Building value increased by LTL 9 544 thousand, value of structures reduced by LTL 365 thousand. Due to the increase in value of buildings accounts registered increase in reserve by LTL 8 113 thousand and deferred tax liability LTL 1 432 thousand. Due to reduced value of structures revaluation reserve was reduced by LTL 83 thousand and deferred tax liabilities by LTL 15 thousand. Also due to reduced value of structures loss has been incurred amounting LTL 268 thousand.

On 2011-12-30 with presence of independent appraiser, assessment of the buildings and structures was carried out. General value of revaluated tangible assets was LTL 17 820 thousand. Assessment methods used: comparative value, replacement value and use income value. Due to the revaluation, value of buildings and structures increased by LTL 1 673 thousand. Accordingly, the revaluation reserve was formed LTL 1 422 thousand and deferred tax liabilities LTL 251 thousand.

In 2012, the company's management, taking into account that the company used containers made of stainless steel, the prices of which in the market change frequently and are slowly wearing, decided to pick out a separate category of long-term tangible assets: Containers and to account them at revaluated value.

On 2012-12-27 with presence of independent appraiser, revaluation of long-term tangible assets used in the company being containers was performed. To estimate the value the cost method was used. Revaluated assets value is LTL 5 961 thousand. Balance value of the assets, if they were not revaluated, would have been LTL 3 455 thousand. As a result of revaluation, the revaluation reserve was formed as LTL 2 537 thousand and deferred tax LTL 448 thousand.

On 2013-06-27 with presence of independent appraiser, revaluation of long-term tangible assets used in the company being some Buildings was performed. To estimate the value the cost method was used. Revaluated assets value is LTL 1 887 thousand. Balance value of the assets, if they were not revaluated, would have been LTL 1 347 thousand. As a result of revaluation, the revaluation reserve was formed as LTL 459 thousand and deferred tax LTL 81 thousand.

On 2013-12-27 with presence of independent appraiser, revaluation of long-term tangible assets used in the company being some Buildings was performed. To estimate the value the cost method was used. Revaluated assets value is LTL 1 860 thousand. Balance value of the assets, if they were not revaluated, would have been LTL 798 thousand. As a result of revaluation, the revaluation reserve was formed as LTL 903 thousand and deferred tax LTL 159 thousand.

If the company had accounted its building, structure and container assets groups using the acquisition cost method, their balance value on 31 December 2013 would be LTL 16 324 thousand (on 2012-12-31 – LTL 16 822 thousand).

#### *Long-term tangible asset's useful life assessment*

- Buildings 25-90 years
- Containers 10-25 years
- Machinery and equipment 7-25 years
- Vehicles and other equipment 3 - 10 years

#### *Assets acquired through leasing*

The company through leasing acquired commercial vehicles for a total acquisition cost of LTL 402 thousand. Outstanding value on 2013-12-31 is LTL 131 448 thousand.

*Long-term assets pledges*

The Company has pledged long term assets for LTL 28 166 thousand in balance value.

*Depreciation*

5 125 units of tangible fixed assets depreciated to their residual value of LTL 1 with an acquisition cost of LTL 18 711 thousand are used in the company's activities.

**Note No 03 - Financial assets (LTL thousand)**

	<u>2013-12-31</u>	<u>2012-12-31</u>
Investment into daughter and associated enterprises	17	17

There were no changes of investment into daughter and associated enterprises during 12 months of the year 2013. On 31 December, 2013 investment make:

- to VŠĮ "Žaliasis taškas" - LTL 15000.
- to VŠĮ Šiaulių universiteto mokslo ir technologijos parkas - LTL 2000.
- to UAB "Krepšinis ir mes." - LTL 100.

**Note No 04 – Stocks and Prepayments (LTL thousand)**

Stocks are gained by the acquisition cost price. The Company buys resources only for its own use. The stock is written of applying the FIFO method of price valuation.

	<u>2013-12-31</u>	<u>2012-12-31</u>
Raw materials	2 317	2 610
Production in progress	668	620
Produced goods	444	404
Goods for reselling	8	10
Prepayments	403	292
Contracts in progress		
<b>Total</b>	<b><u>3 840</u></b>	<b><u>3 936</u></b>

The main raw materials are malt, containers, packaging materials and other materials used in production.

	<u>2013-12-31</u>	<u>2012-12-31</u>
Inventories expenses	7 973	8 389

In 2013 net realizable value of stock was evaluated. In 2013 accounting inventory recorded stock value reduction by LTL 92 thousand.

The Company has pledged all stocks.

Advance payments: payments to suppliers for raw materials. These are the foreign malt and cans packaging suppliers (LTL 199 thousand), the deposit for STI for exportation of excisable goods (LTL 125 thousand), and other prepayments to suppliers (LTL 79 thousand).

**Note No 05 - Receivable sums in one year (LTL thousand)**

	<u>2013-12-31</u>	<u>2012-12-31</u>
Customer receivables	4 416	2 576
Other amounts receivables	5	(1)
<b>Total</b>	<u>4 421</u>	<u>2 575</u>

After having assessed the probability of debts receivable by the company overdue for more than 90 days, the doubtful debts on 2013 were undervalued by LTL 56 thousand.

**Note No 06 – Other current assets (LTL thousand)**

	<u>2013-12-31</u>	<u>2012-12-31</u>
Other current assets	288	288

Other current assets is the deposit account which is meant to validate paying the excise duty for the production which is taken from the warehouse.

**Note No 07 – Cash (LTL thousand)**

	<u>2013-12-31</u>	<u>2012-12-31</u>
Bank accounts	42	259
Cash on hand		28
Cash on the way	21	8
<b>Total</b>	<u>63</u>	<u>295</u>

**Note No 08 – The private capital**

The authorized capital of the Company on 31<sup>th</sup> December, 2013 is LTL 16 129 614. It is divided into 16 129 614 ordinary nominal shares, the value of every share is LTL 1. All shares are completely paid-up.

The equity of the Company on 31<sup>th</sup> December, 2013 was LTL 8 680 005 – 53.81% of the authorized capital.

The reserve of revaluation consists of the difference in reassessed value of the buildings, constructions and tanks. Depreciating the part of the reassessed assets, the reassessment reserve is being reduced and the unacknowledged profit of the reporting year is registered, and the used deferred profit tax appears in the in

the report of the gross receipts. The unacknowledged profit 12 month, 2013 of the reporting cycle due to the depreciation of the reassessed part of the assets is LTL 850 698.

The Company does not have a compulsory reserve formed following the law since 31<sup>th</sup> December, 2013.

The Company had LTL 18 333 702 has the retained loss at the end of the last financial year. After the retrospective correction of essential last period mistakes, retained loss was reduced to LTL 18 107 447 (Note No 17. Accounting policy amendments and error correction

During 12 months of the reporting financial year 2013 the Company incurred losses LTL 480 398.

**Note No 09 – Loans and borrowings (LTL thousand)**

	Note	2013-12-31	2012-12-31
Financial leasing for SWED bank leasing	a)	61	134
Financial leasing for Siauliu bank leasing	b)	76	
Laumžirgiai, UAB loan	c)	2 894	2 894
Respublikos investicija, UAB loan	d)	14 203	14 950
Accumulated taxes arrears	e)	2 504	2 257
Interest payable for the loans	f)	330	429
Total obligations		<b>20 068</b>	<b>20 664</b>
Minus: short-term part		(4 166)	(16 724)
Total long-term part		<b>15 902</b>	<b>3 940</b>

- a) Finance lease (leasing) from Swedbank Leasing, UAB. Final instalment payment date: 2015-05-30;
- b) Finance lease (leasing) from Siauliu bank leasing, UAB. Final instalment payment date: 2016-08-07;
- c) On 2011-10-25 Laumžirgiai, UAB took over the claim from O.Šabajeva towards the entire debt accruing according to order of 2010-02-10 of Siauliai District Court and order of the Court of Appeal of Lithuania of 2011-01-24. The loan has to be repaid till 2017-10-31 according to the signed repayment schedule;
- d) On 2007-04-25 by agreement Ukio Bankas transferred the claim right to loan of Respublikos investicija, UAB. In 2013 November 12 signed debt payment arrangement agreement setting forth the obligation to size 14 503 025 LTL, and approved of the debt repayment schedule by December 2022-09-30.
- e) The tax arrears under the 2012-07-20 and 2013-07-18 contracts. Returns provided by 2015-06-30.
- f) Interest payable according to loan agreement of Laumžirgiai, UAB and Respublikos investicija, UAB.

All loans and other borrowings for 30 June 2013 are denominated in EUR or LTL. Loan interest rates are variable (except Laumžirgiai, UAB loan and Respublikos Investicija UAB loan with fixed interest rate of 4 per cent) and are calculated as LIBOR, EURIBOR or VILIBOR and a fixed margin. The interest rate is recalculated every 3 or 6 months.

The company has pledged for the loan its long-term assets with balance value on 2013-06-30 being LTL 25 780 thousand (in 2012 LTL 26 233 thousand), all stocks, 19 trademarks, cash in banks SEB and SWEDBANKAS, land lease law.



**Note No. 10 - Deferred tax liabilities (LTL thousand)**

Deferred tax assets and liabilities, calculated at a 15 percent rate are attributed to long-term liabilities:

	<u>2013-12-31</u>	<u>2012-12-31</u>
Property, plant and equipment	1 888	1 798
Tax (asset) / liability	<u>17 790</u>	<u>5 738</u>

Changes in temporary differences during the year can be represented as follows:

	<u>2013-01-01</u>	<u>Recognized in profit or loss</u>	<u>Recognized in equity</u>	<u>2013-12-31</u>
Deferred tax assets liabilities	1 798	(150)	240	1 888

**Note No 11 – Current liabilities (LTL thousand)**

	<u>2013-12-31</u>	<u>2012-12-31</u>
Trade loans	3 957	2 595
Prepayments received	19	678
Liabilities related with labour relations	1 268	1 263
Other current liabilities	2 763	2 176
<b>Total</b>	<u>8 007</u>	<u>6 712</u>

**Statement of comprehensive income****Note No 12 - Business segment (LTL thousand)**

The company has only one operating segment, being the production of beer and kvass.

	<u>2013-12-31</u>	<u>2012-12-31</u>
Lithuanian market	30 623	34 805
Export	9 638	8 500
<b>Total</b>	<u>40 261</u>	<u>43 305</u>

All company owned long-term tangible assets are located in the territory of the Republic of Lithuania.

**Note No 13 - Other activities (LTL thousand)**

	<u>2013-12-31</u>	<u>2012-12-31</u>
Other Incomes	137	16

**Note No 14 - Results from financial and investment activities (LTL thousand)**

	2013-12-31	2012-12-31
<b>a) Incomes from financial and investment activities</b>	<b>9</b>	<b>31</b>
- other incomes		27
- the positive influence of the currency Exchange rate	9	4
<b>b) Expenses of the financial and investment activities</b>	<b>798</b>	<b>1 212</b>
- expenses on interest	678	819
- the negative influence of the currency exchange rate	18	11
- expenses on fines	102	382

**Note No 15 - Contracts with associated parties**

The shares of the Company belong to different shareholders, so one party has no possibilities to control another party or make significant influence on the other party making financial and activity decisions.

**Note No 16 - Other significant information**

We received the 18th of July, 2013 decision of State Tax Inspectorate under the Ministry of Finance of the Republic of Lithuania decision for payment of arrears (accumulated taxes, arrears and with accrued interest) the sum of LTL 1 962 187,15. These arrears in contributions arranged to pay out until the 30<sup>th</sup> of June, 2015.

Gubernija AB and Respublikos Investicija UAB signed a debt payment arrangement agreement dated 12 November, 2013, which was recorded GUBERNIJA AB obligation amount 14 503 025,21 LTL, and approved of the debt repayment schedule by 2022-09-30.

**Note 17 - Accounting policy amendments and error correction**

Combining the outstanding amount, it was not included overdue payment charges calculated and registered in Gubernija accounting in 2009 – LTL 226 255. Following the 8<sup>th</sup> IRS given corrections are made in the retrospective way.

**BUSINESS CONTINUITY**

The financial accountability for 31 December, 2013 is prepared on the base of the business continuity.