ANNUAL FINANCIAL STATEMENT OF SARANTIS BULGARIA LTD FOR THE YEAR 2018

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ANNUAL FINANCIAL STATEMENT
FOR THE YEAR 2018
OF
SARANTIS BULGARIA LTD.

CONTENTS:

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This report of Sarantis Bulgaria Ltd refers to the financial period from 01.01.2018 to 31.12.2018 and is in accordance with Art. 39 of the Act of Accounting and Art. 247 of the Commercial Code.

1. Company Info:

"Sarantis Bulgaria" Ltd. is a sole-owner limited liability company registered in the Registrar of Trading companies of the City Court in a judgment of 05.07.1994 years in act 13376 / in Volume 223, p.92, lot 17912.

The owner of the company is a legal entity "GR. SARANTIS CYPRUS" LIMITED - CYPRUS.

Headquarters and registered office of the company is Sofia, Botevgradsko shose 247, 4th floor.

The main activity of the company includes: sales and distribution activities of perfume and cosmetics products, with household goods and such for face care, body and personal hygiene products.

2. Financial position.

2.1. Summarized financial information of the annual financial statements as of 31/12/2018

	2018	2017
Sales revenue	33 476 *	32 778
Gross profit before taxation	4 196	4 168
Net profit for the period	3 775	3 749
Sum of Assets	14 916	14 896
Share capital	4 756	4 756

* The value is shown without influence of the effect of IFRS 15 application to ensure comparability with the value of previous reporting period. The effect of IFRS 15 application is to deduct the obligation to execute contracts with clients from the Company's turnover. This deduction amounts to BGN 5,812 thousand. and is detailed in section 2.1.2.2. of the "Explanatory note to the financial statements.

The total as of 31.12.2018 of the non-current assets of the company is 723 thousand BGN, including equipment, vehicles and other tangible assets, and intangible assets of 673 thousand BGN, and deferred tax assets in the amount of 50 thousand BGN. The Company does not own any real property and buildings and primarily uses buildings and warehouse spaces on rent.

2.2. Basic financial ratios of the company

Ratios	2018	2017
Net Profit Margin (%)	11,28	11,4
Return of Equity (%)	45	44,1
Return on Assets (%)	25,31	26,5
Current Ratio	2,7	2,21
Quick Ratio	1,59	1,62
Cash Ratio	0,29	0,25
Debt to Equity	0,78	0,75
Inventory turnover (days)	48,59	45,27
Days Sales Outstanding (days)	73,82	78,27

2.3 Human resources and social policy. Security and work safety.

As of 31.12.2018 the company employs 92 people under an employment relationship. The company policy regarding wages of staff reflects the ability and skills of each individual employee. The levels of remuneration are set according to individual contracts of employment on the grounds of responsibilities, obligations and requirements, qualifications and work experience. In 2018, in order to improve work efficiency and encourage employees, the company applied a system of evaluation and control of personnel according to which bonuses are allocated to active employees. In order to optimize and facilitate the payment of remuneration, the same is done by bank transfer, while respecting the confidentiality of the information for each employee. In respect of personnel policy, the company regularly performs recruitment and appointment of young and skilled workers from the Sofia region and the rest of the country. There is a contract with a health service that performs yearly health tests on staff. Furthermore, trainings are organized and the employees pass testes to ensure safe working conditions, preventive control in compliance with the rules of safety at work, risk assessment of all jobs in the company and search for ways to mitigate the risk. Employees are instructed regularly on the rules for safety and health at work. Maintenance of qualification and further training of personnel are carried out periodically in the company as well as in trainings organized by external organizations for the company.

2.4. Financial instruments and financial risk exposures:

In the reporting 2018 Sarantis Bulgaria Ltd has not used for its business banking and bond loans, also has not received external subsidies and funding for their projects and does not hold in possession securities.

Sarantis Bulgaria Ltd mainly distributes its goods in the internal market and generates revenue in BGN. Suppliers of the company are mainly from countries of the European Union, generating liabilities in euro. Another Part is from China and it generates obligations in Unite States dollars. Concerning the obligations in euro, the currency risk is minimal because the BGN is attached to the EUR, and the risk from obligations in United States dollars - the exchange rate differences are negligible.

Cash flows generated in 2018 were enough in volume not only to finance current operations, but also for the payment of dividends.

The credit risk of the company in 2018 comes mainly from receivables from customers, where the exposure to this risk is due to the individual characteristics of each customer. This exposure depends mostly on the condition of intercompany indebtedness on the domestic market, which the company operates.

The Company has no pending lawsuits, brought claims for opening and insolvency proceedings and judgments, therefore requests for winding up and Liquidation announcement. There are no pending administrative or arbitration proceedings and decisions in the event of a merger, acquisition or restructuring.

3. Managing the equity:

3.1. Amount of Registered capital and changes:

In the reporting 2018 there was no change in the amount of registered capital.

3.2. Structure of the company (branch offices, subsidiaries), related parties:

The Company has no direct or indirect interest in another company. There are no branches of the company in the country and / or abroad.

During 2018 the company operates through a Head office and warehouse in Sofia and offices in Varna, Plovdiv and Pleven.

In 2018 carrying loans to related parties have not been assigned.

3.3. Policy of the company:

Maintaining a strong capital base is the main policy of the company in order to be able to provide conditions for the development of the company in the future.

For the reporting 2018 the company is not subject to specific capital requirements imposed by contract or regulatory framework.

4. Important events after the date of the financial statements:

After the date of the annual report and financial statements of the company there were no significant events that should be disclosed.

5. Forecast for the future development of the company:

Sarantis Bulgaria Ltd is planning development of its existing activities, despite the negative economic situation in the country. The company expects a slow recovery in the sector of fast moving consumer goods in which it will continue to operate within the next year.

6. Actions on Research & Development activities:

During the year the company has not carried out research and development activities.

7. Management responsibilities:

Under the Bulgarian law the management has to prepare a report on the activities and financial statements for each financial year which has to give a true and fair view of the financial position of the company at the end of the year, its financial performance and cash flows in accordance with applicable accounting framework. The company is applying for the Purpose of reporting the International Financial Reporting Standards (IFRS), adopted by the European Union.
Management confirms that it has acted in accordance with their responsibility and the financial statements for 2018 have been prepared in accordance with International Financial Reporting Standards adopted by the European Union.
The management also confirms that in the preparation of this report it has presented in a true and fair manner the development and results of the company for the past period as well as its state and the main facing risks.

„САРАНТИС БЪЛГАРИЯ" ЕООД СОФИЯ

Sofia
14/3/2019

General Manager:
/ Deana Stefanova /

ANNUAL FINANCIAL STATEMENTS
OF
"SARANTIS BULGARIA" Ltd.

for the period from 1 January to 31 December 2018 year

STATEMENT OF FINANCIAL POSITION OF SARANTIS BULGARIA LTD. AS OF DECEMBER 31, 2018

	Note	31/12/2018 ('000 BGN)	31/12/2017 ('000 BGN)
ASSETS			
NON-CURRENT ASSETS			
Equipment, transportation means and other assets	*(4.9.1)*	**125**	**127**
Intangible assets	*(4.9.2)*	**548**	**601**
Deferred tax asstes	*(4.10)*	**50**	**33**
TOTAL NON-CURRENT ASSETS		**723**	**761**
CURRENT ASSETS			
Inventories	*(4.11)*	**3 792**	**3 814**
Trade and other receivables	*(4.12)*	**8 518**	**8 739**
Cash	*(4.13)*	**1 883**	**1 582**
TOTAL CURRENT ASSETS		**14 193**	**14 135**
TOTAL ASSETS		**14 916**	**14 896**
EQUITY			
Authorised capital	*(4.16)*	**4 756**	**4 756**
Reserves		**1**	**1**
Profit carried forward	*(4.16)*	**3 616**	**3 749**
TOTAL EQUITY		**8 373**	**8 506**
LIABILITIES			
SHORT-TERM LIABILITIES			
Trade and other liabilities	*(4.14)*	**6 228**	**6 028**
Net current tax liabilities	*(4.15)*	**211**	**259**
Provisions	*(4.18)*	**104**	**103**
TOTAL SHORT-TERM LIABILITIES		**6 543**	**6 390**
TOTAL EQUITY AND LIABILITIES		**14 916**	**14 896**

The financial statement has been approved for issue by the management and was signed on 14.03.2019 by:

Prepared by: (Diana Dishkova)

General Manager: (Deana Stefanova)

САРАНТИС БЪЛГАРИЯ ЕООД София

25/3/2019 In accordance with a report of a registered auditor:

0348 Красимир Димов Регистриран одитор

The Statement of financial position should be read in conjunction with the notes to and forming part of the Annual financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF SARANTIS BULGARIA LTD. FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2018

	Note	2018 (,000 BGN)	2017 (,000 BGN)
Revenue	*(4.1)*	**27 664**	**32 778**
Cost of sales	*(4.3)*	**(16 843)**	**(16 603)**
Expenses for materials	*(4.4)*	**(754)**	**(908)**
Expenses for external services	*(4.5)*	**(3 138)**	**(8 476)**
Expenses for personnel	*(4.6)*	**(2 502)**	**(2 367)**
Depreciation/amortization expenses		**(85)**	**(94)**
Other operating income	*(4.2)*	**171**	**177**
Other operating expenses	*(4.7)*	**(284)**	**(320)**
Operating profit		**4 229**	**4 187**
Net financial income/expenses	*(4.8)*	**(33)**	**(19)**
Profit before taxes		**4 196**	**4 168**
Income tax expense	*(4.17)*	**(421)**	**(419)**
Profit for the year after tax		**3 775**	**3 749**
Other comprehensive income		**(159)**	
Total comprehensive income for the year		**3 616**	**3 749**

The financial statement has been approved for issue by the management and was signed on 14.03.2019 by:

Prepared by: (Diana Dishkova)

General Manager: (Deana Stefanova)

САРАНТИС БЪЛГАРИЯ ЕООД СОФИЯ

25/3/2019 In accordance with a report of a registered auditor:

0348 Красимир Димов Регистриран одитор

The Statement of profit or loss and other comprehensive income should be read in conjunction with the notes to and forming part of the Annual financial statements.

STATEMENT OF CHANGES IN EQUITY OF SARANTIS BULGARIA LTD.
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2018

All amounts are in thousand BGN

	Authorised capital	Other reserves	Retained profit	Total equity
Balance at 01.01.2017	4 756	1	3 714	8 471
Changes in equity for 2017:				
Net profit for the period			3 749	3 749
Dividends			(3 714)	(3 714)
Balance at 31.12.2017	4 756	1	3 749	8 506
Balance at 01.01.2018	4 756	1	3 749	8 506
An effect due to applying of IFRS 9			(159)	(159)
Restated balance as of 01.01.2018	4 756	1	3 590	8 347
Net profit for the period			3 775	3 775
Dividends			(3 749)	(3 749)
Balance 31.12.2018	4 756	1	3 616	8 373

The financial statement has been approved for issue by the management and was signed on 14.03.2019 by:

Prepared by: **(Diana Dishkova)**

General Manager: **(Deana Stefanova)**

САРАНТИС БЪЛГАРИЯ ЕООД София

25/3/2019 In accordance with a report of a registered auditor:

0348 Красимир Димов Регистриран одитор

The Statement of changes of equity should be read in conjunction with the notes to and forming part of the Annual financial statements

CASH FLOWS REPORT OF SARANTIS BULGARIA LTD.
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2018

	2018 ('000 BGN)	2017 ('000 BGN)
Cash flows from operating activities		
Cash receipts from customers	**31 276**	**31 108**
Cash paid to suppliers	**(20 432)**	**(20 910)**
Cash paid to employees and social security institutions	**(2 389)**	**(2 263)**
Paid taxes (except income taxes)	**(4 169)**	**(4 081)**
Income taxes from previous period refund	**44**	
Income taxes paid	**(445)**	**(452)**
Interest paid	**(36)**	**(23)**
Other payments from operating activities		**(3)**
Net cash from operating activities	**3 849**	**3 376**
Cash flows from investment activities		
Proceeds from sale of equipment	**2**	
Purchase of property, plant and equipment	**(32)**	**(120)**
Interest received		**1**
Net cash from investing activities	**(30)**	**(119)**
Cash flows from financing activities		
Dividends paid	**(3 518)**	**(3 489)**
Net cash from financing activities	**(3 518)**	**(3 489)**
Net change in cash	**301**	**(232)**
Cash at beginning of period	**1 582**	**1 814**
Cash at end of period	**1 883**	**1 582**

The financial statement has been approved for issue by the management and was signed on 14.03.2019 by:

Prepared by: (Diana Dishkova)

General Manager: (Deana Stefanova)

"САРАНТИС БЪЛГАРИЯ" ЕООД София

25/3/2019 In accordance with a report of a registered auditor:

Красимир Димов
Регистриран одитор

The cash flow statement should be read in conjunction with the notes to and forming part of the Annual financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Attention of the sole owner of
SARANTIS BULGARIA Ltd

Opinon

We have audited the financial statements of SARANTIS BULGARIA Ltd (the Company), which comprise the statement of financial position as at December 31, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements of the Independent Financial Audit Act (IFAA) that are relevant to our audit of the financial statements in Bulgaria, and we have fulfilled our other ethical responsibilities in accordance with the requirements of the IFAA and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the management report, prepared by management in accordance with Chapter Seven of the Accountancy Act, but does not include the financial statements and our report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, unless and to the extent explicitly specified in our report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Additional Matters to be Reported under the Accountancy Act

In addition to our responsibilities and reporting in accordance with ISAs, in relation to the management report, we have also performed the procedures added to those required under ISAs in accordance with "Guidelines on new and expanded audit reports and communication by the auditor" of the Professional Organisation of Registered Auditors in Bulgaria, Institute of

Certified Public Accountants (ICPA). These procedures refer to testing the existence, form and content of this other information to assist us in forming an opinion about whether the other information includes the disclosures and reporting provided for in Chapter Seven of the Accountancy Act applicable in Bulgaria.

Opinion on conjunction with Art. 37, par. 6 of the Accountancy Act

Based on the procedures performed, our opinion is that:

a) The information included in the management report referring to the financial year for which the financial statements have been prepared is consistent with those financial statements.

b) The management report has been prepared in accordance with the requirements of Chapter Seven of the Accountancy Act.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the IFRSs as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has not realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collision, forgery, intention omission, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of the accounting policies used and reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt of the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future evidence or conditions my cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements present the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planed scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Красимир
Димов
Регистриран одитор

Signature of the registered auditor……………………………

/Krasimir Dimov/

Address of the auditor: Ap 16 En 3 Bl 550 Mladost 1 A Sofia Bulgaria

Date of the auditor's report: March 25, 2019

1. Explanatory note to the financial statements:

1.1. Legal Status

"Sarantis Bulgaria" Ltd. is a sole-owner limited liability company registered in the Registrar of Trading companies of the City Court in a judgment of 05.07.1994 years in act 13376 / in Volume 223, p.92, lot 17912. The company is listed in the Trade Register with Identity Number 831542220.

"Sarantis Bulgaria" Ltd. is a sole-owner limited liability company registered in the Registrar of Trading companies of the City Court in a judgment of 05.07.1994 years in act 13376 / in Volume 223, p.92, lot 17912.

The owner of the company is a legal entity "GR. SARANTIS CYPRUS" LIMITED - CYPRUS.

The parent company and final owner of the group of enterprises, part of which are "GR.SARANTIS CYPRUS" LIMITED-Cyprus and ""Sarantis Bulgaria" Ltd", is GR.SARANTIS S.A. – Greece.

1.2. Scope of activity

The main activity of the company includes: sales and distribution activities of perfume and cosmetics products, household goods and such to face care, body and personal care products.

There was no change to the core activity of the company over the previous fiscal year.

2. Basis of preparation of the financial statements:

2.1. Compliance with IFRS

The present individual financial statement with general purpose is prepared in accordance with The Accountancy Act and International Financial Reporting Standards (IFRS), adopted by the European Union (EU).

2.1.1. As of 31 December 2018, IASs include International Accounting Standards (IAS), International Financial Reporting Standards (IFRS), Interpretations of the Standing Interpretations Committee and Interpretations of the Committee for Interpretations of the IFRS. The IAS Committee reissues annually the standards and interpretations to them which, after approval by the European Union, are valid for the year for which they were issued. However, many of them are not applicable to the company's activities due to the specific issues which they deal with.

Because of that, the Company's management has adopted the approach that it is not necessary to disclose in the Annual Financial Statements the names of these International Accounting Standards and their interpretations (where changes have been made but are not applicable to the Company's activities) because their detailed citing could lead to misunderstanding and misleading the users of the information from the company's Annual Financial Statements.

2.1.2. New standards and interpretations not yet adopted

The application of IFRS 9 and IFRS 15 have led to significant changes.

2.1.2.1. IFRS 9 *Financial Instruments*

IFRS 9 "Financial Instruments" replaces IAS 39 "Financial Instruments: Recognition and Measurement" for annual periods beginning on or after 1st January 2018, and primarily affects the classification, measurement and impairment of the financial instruments.

Classification and measurement

On 1st January 2018 (the date of initial application of IFRS 9), the management of the Company assessed which business models are aplicable to its financial assets and classified them into the appropriate categories in compliance with IFRS 9.

The Company initially measures their financial assets at fair value plus transaction costs, in the case of a financial asset not being measured at fair value through the income statement. The transaction costs of financial assets carried at fair value through the income statement are being expensed. The trade receivables are initially being measured at their transaction price.

The Company considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both.

The amounts are in thousands of BGN	31/12/2017	IFRS 9 based Adjustments due to Transition	1/1/2018 Adjusted
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	601		601
Equipment, transportation means and other assets	127		127
Deferred tax asstes	33		33
TOTAL NON-CURRENT ASSETS	761		761
CURRENT ASSETS			
Inventories	3 814		3 814
Trade and other receivables	8 739	-159	8 580
Cash	1 582		1 582
TOTAL CURRENT ASSETS	14 135	-159	13 976
TOTAL ASSETS	14 896	-159	14 737
EQUITY			
Authorised capital	4 756		4 756
Reserves	1		1
Profit carried forward	3 749	-159	3 590
TOTAL EQUITY	8 506	-159	8 347
LIABILITIES			
SHORT-TERM LIABILITIES			
Trade and other liabilities	6 028		6 028
Net current tax liabilities	259		259
Provisions	103		103
TOTAL SHORT-TERM LIABILITIES	6 390		6 390
TOTAL EQUITY AND LIABILITIES	14 896	-159	14 737

Impairment

The Company recognises provisions for expected credit losses for all financial assets except for those measured at "fair value through the profit and loss" . Epected credit losses are based on the difference between the contractual cash flows due in accordance with the respective contract and the total cash flows that the Company expects to receive. The shortfall is then discounted by using an approximation of the financial asset's initial effective interest rate. With regard to trade receivables, the Company and have applied the standard's simplified approach and calculated the expected credit losses based on expected credit losses emerging from their entire life of the assets.

The following table summarises the adjustments which were recognised in the statement of financial position on 1st January 2018 due to the adoption of IFRS 9:

2.1.2.2. IFRS 15 Revenue from Contracts with Customers

The IFRS 15 "Revenue from Contracts with Customers" supersedes both the standards IAS 11 "Construction Contracts" and IAS 18 "Revenues" as well as all related Interpretations concerning revenues from contracts with customers, unless those contracts are in the scope of other accounting standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers.

The Company accounts for a contract with a customer when all of the following criteria are met:

(a) the parties to the contract have approved the contract and are committed to perform their respective obligations;
(b) the entity can identify each party's rights regarding the goods or services to be transferred;
(c) the entity can identify the payment terms for the goods or services to be transferred
(d) the contract has commercial substance (ie the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and
(e) (e) it is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

In evaluating whether collectability of an amount of consideration is probable, an entity considers only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the entity will be entitled may be less than the price stated in the contract if the consideration is variable because the entity may offer the customer a price concession.

A contract with a customer generally explicitly states the goods or services that an entity promises to transfer to a customer.

Performance obligations do not include activities that an entity must undertake to fulfil a contract unless those activities transfer a good or service to a customer.

An entity recognises revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (ie an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The entity satisfies the performance obligation at a point in time. To determine the point in time at which a customer obtains control of a promised asset and the entity satisfies a performance obligation, the entity considers indicators of the transfer of control, which include, but are not limited to, the following:

- The entity has a present right to payment for the asset;
- The customer has legal title to the asset;
- The entity has transferred physical possession of the asset;
- The customer has the significant risks and rewards of ownership of the asset;
- The customer has accepted the asset.

Usually, the consideration promised in a contract includes a variable amount, and the entity estimates the amount of consideration to which the entity will be entitled in exchange for transferring the promised goods or services to a customer.

An amount of consideration can vary because of price concessions, incentives, performance bonuses, penalties or other similar items.

The variability relating to the consideration promised by a customer is explicitly stated in the contract.

The entity estimates an amount of variable consideration by using of the expected value method.

As the consideration payable to a customer is accounted for as a reduction of the transaction price, an entity recognises the reduction of revenue when (or as) the later of either of the following events occurs:

- the entity recognises revenue for the transfer of the related goods or services to the customer; and

- the entity pays or promises to pay the consideration (even if the payment is conditional on a future event). That promise might be implied by the entity's customary business practices.

From 1st January 2018, the obligation for execution of contracts with customers is depicted as a deduction from the turnover thus affecting the gross profit margin and the distribution expenses, without however affecting the net profit.

The following table summarises deductions in the Statement of profit or loss and other comprehensive income for the period 01/01/2018 - 31/12/2018 due to the adoption of IFRS 15:

The amounts are in thousands of BGN	**Total business activities for the period 1/1/ - 31/12/2018 before the IFRS 15 based deductions**	**IFRS 15 based deductions**	**Total business activities for the period 1/1/ - 31/12/2018 after the IFRS 15 based deductions**
Revenue	**33 476**	**-5 812**	**27 664**
Cost of sales	**(16 843)**		**(16 843)**
Expenses for materials	**(850)**	**96**	**(754)**
Expenses for external services	**(8 854)**	**5716**	**(3 138)**
Expenses for personnel	**(2 502)**		**(2 502)**
Depreciation/amortization expenses	**(85)**		
Other operating income	**171**		**171**
Other operating expenses	**(284)**		**(284)**
Operating profit	**4 229**		**4 229**
Net financial income/expenses	**(33)**		
Profit before taxes	**4 196**		**4 196**
Income tax expense	**(421)**		**(421)**
Profit for the year after tax	**3 775**		**3 775**
Other comprehensive income	**(159)**		**(159)**
Total comprehensive income for the year	**3 616**		**3 616**

IFRS 16 *Leases*

Nature of change

IFRS 16 supersedes IAS 17 Leases.

It will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases.The accounting for lessors will not significantly change.

Impact

The standard will affect primarily the accounting for the company's operating leases. As at the reporting date, the company has non-cancellable operating lease commitments.

The Company is in the process of assessing the effect from the adoption of the IFRS 16 as well as of the selection of the application method and the timing of adoption.

However, the Company has not determined yet the extent to which these commitments will lead to recognition of assets and liabilities with regard to any future payments.

This is due to the fact that certain of these commitments may be exempted from the requirements of the standard as short-term or/and insignificant ones, whereas some other commitments may not fulfill the criteria required for their characterisation as leases according to IFRS 16.

Mandatory application date/ Date of adoption by the company

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the company does not intend to adopt the standard before its effective date.

The Company's management has complied with all accounting standards and interpretations that are relevant to its operations and have been formally adopted by the European Union at the date of preparation of these financial statements. The adoption of these standards and / or interpretations, effective for the annual period beginning on 1 Jannuary 2017, does not require other significant changes in the accounting policy of the company.

2.2.1. Basis of preparation

The financial statement has been prepared based on a going concern basis, assuming that the company will continue to operate for the foreseeable future.

The historical cost is used as bases for evaluation during the preparation of the financial statement.

2.2.2. Consistency of presentation

The presentation and classification of the items in the financial statement of the current period is retained from the previous reporting periods.

2.2.3. Form, structure and content of the financial statement.

The company has retained the form, structure and content of the financial statement from the previous reporting periods.

- **Statement of the financial position as at the end of the period**

  Each material group of similar positions is presented separately in the statement of financial position. The assets and liabilities are presented as current and non-current, compensation between assets and liabilities is not allowed.

  Current assets are assets that the company expects to realize, or intends to sell or consume in the normal operational cycle, which doesn't exceed 12 months after the end of the reporting period. Current assets are also receivables and cash or cash equivalents, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

  All other assets are classified as non-current.

  The company classifies a given liability as current when it expects to settle the liability in its normal operating cycle, which doesn't exceed 12 months after the end of the reporting period. Current are also liabilities for which the company does not have an unconditional right to defer settlement for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

  All other liabilities are classified as non-current.

  The company classifies as part of its equity the following elements:

  - Registered capital, comprising of one share with a nominal value of 4 756 210 BGN
  - Reserves
  - Retained Earnings, comprising of net profit of the current and prior reporting periods

- **Statement of profit or loss and other comprehensive income for the period**

The company does not present separately the statement of profit or loss from the statement presenting the other comprehensive income.

The classification of expense line items recognized in profit or loss and other comprehensive income is based on their nature and not on their function within the entity.

The company presents additional line items, headings and subtotal, when such presentation is relevant to an understanding of its financial performance. The company does not present any items of income or expense as extraordinary items, in the statement presenting profit or loss and other comprehensive income or in the notes.

The company recognizes all items of income and expense in a period in profit or loss unless IFRS requires or permits otherwise.

The company presents separately each material class of similar items.

The company offsets its financial income and expenses (on a net basis) because of that they are immaterial. Despite of that, in point 4.8 of the notes to the annual financial statement, accurate and correct information is presented regarding their size and nature.

- **Statement of changes in equity for the period**

The company presents separately each material class of similar items in the statement of changes in equity providing reconciliation between the carrying amounts at the beginning of the period and at the end of the period. Separately are disclosed changes resulting from:

- Profit or loss
- Other comprehensive income
- Transactions with owners in their capacity as owners, showing separately contributions from owners and returning these contributions back to the owners; distribution to the owners (dividends paid).

- **Statement of cash flows for the period**

The company reports cash flows from operating activities using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed. The statement of cash flows reports cash flows during the period classified by operating, investing and financing activities.

Operating activity is the main activity of the company that generates income as well as any other activity, which is not classified as investment or financial. Cash flows, arising from taxes on income are disclosed separately and categorized as cash flows from operating activity.

Investing activity are the acquisition and disposal of long-term assets and other investments not included in cash equivalents.

Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the company. Cash flows from interest and dividends received and paid are disclosed separately.

The components of cash and cash equivalents are: cash and bank accounts as well as advances to employees. The total of cash in the cash flows report is equal to the sum of cash, presented in the Statement of Financial Position and part of the trade and other receivables, correlating to the amount (if and when there is such) of advances to employees.

Investing and financing transactions that do not require the use of cash or cash equivalents are excluded from the statement of cash flows.

2.3. Approval

Financial statements prepared for the year ended 31 December 2018, was approved by Management of the company on 14.03.2019.

2.4. Period

The present financial statement covers the period from 1 January 2018 to 31 December 2018.

2.5. Functional currency and presentation currency

The Bulgarian lev is the functional currency, in which the financial statements of the company are presented.

2.6. Estimates and Assumptions by the Management

The preparation of the Financial Statements in accordance with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, incomes and expenses. Although the accounting estimates and assumptions are based on information available to management as of the date of preparation of the financial statements, actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed regularly. Changes to accounting estimates are recognized in the period of change, or in the period of change and future periods, when they are affected by them.

The management of the company has complied with all standards and clarifications that are applicable to its operations and are officially adopted for use by the European Union on the date of preparation of these financial statements. In the absence of an IFRS that specifically applies to a transaction, other event or condition, management uses its judgment in developing and applying an accounting policy that results in information that is relevant to the economic decision-making needs of users.

2.7. Others

The annual financial statement of the company is subject to an independent financial audit by a registered auditor. The registered auditor Mr Krasimir Dimov has provided the company with a service only related to the audit of the annual financial statement.

3. Significant accounting policies:

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

3.1 Transactions in foreign currencies

The operations of foreign currencies are translated into the functional currency at the official exchange rate applicable at the date of the transaction. Gains and losses from exchange rate differences resulting from the settlement of transactions and such from the translation of monetary items in foreign currencies at the end of the period are recognized in the Statement of profit or loss and other comprehensive income.

3.2 Property, plant and equipment

Property, plant and equipment are valued at its initial acquisition cost. The cost includes the purchase price, including import duties and non-refundable taxes and purchase, as well as any directly attributable costs of the asset to bringing working condition about its intended for use.

When plant and equipment comprises of major components having different useful lives, they are depreciated with different depreciation rate.

Subsequent expenditure relating to specific fixed asset is capitalized in the asset only when they respond to the criteria for acknowledgement, as pointed at IAS 16. All other subsequent expenditure is as an expense recognized in the period in which are they incurred.

Depreciation of non-current tangible assets is calculated in the Statement of profit or loss and other comprehensive income in line "Depreciation/amortisation expenses", using the straight-line method over the expected useful lives of assets as follows:

- machinery and equipment up to 5 years;
- Computers 2-4 years;
- Furniture 6,7 years;
- Other Buildings and equipment up to 25 years.

The company implements a policy of capitalization of assets in the event that their cost is equal to or exceeds the materiality level of 700 BGN.

The company accepts that the remaining value of an asset as of properties, plants and equipments are insignificant if the remaining value is up to 10% from the initial value of acquiring.

At the end of each reporting period the company tests the assets for impairment comparing whether their balance sheet value differs substantially from their fair value, taking into consideration their moral and physical wear.

3.3 Intangible Assets

For intangible assets acquired by the company only expenses are capitalized, which respond to the criteria intangible asset and for acknowledgement, as pointed at IAS 38. From the Licenses for Windows operation system are expected not to increase substantially the future economic benefits of investments and therefore not capitalized. On the applicable accounting criteria these expenses are recognized as incurred.

The company defines as separate comprehensive asset the intangible asset which is ERP system SAP and connected peripheral systems, which are acknowledged in the Statement of finance position.

Subsequent expenditure relating to specific intangible asset is capitalized in the asset only when they respond to the criteria for acknowledgement, as pointed at IAS 38. All other subsequent expenditure is as an expense recognized in the period in which are they incurred.

Depreciation of intangible assets is calculated in the Statement of profit or loss and other comprehensive income in line "Depreciation/amortisation expenses", using the straight-line method over the expected useful lives of assets.

The company implements a policy of capitalization of assets in the event that their cost is equal to or exceeds the materiality level of 700 BGN.

The company accepts that the remaining value of an intangible asset is insignificant if the remaining value is up to 10% from the initial value of acquiring.

At the end of each reporting period the company tests the assets for impairment comparing whether their balance sheet value differs substantially from their fair value, taking into consideration their moral and physical wear.

3.4 Leased Assets

Leasing contracts under which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon the initial recognition leased asset are reported on the lower among the fair value and the present value of the minimum lease payments. After initial recognition, the asset is depreciated according to the applicable accounting policy for that asset.

All other leases are classified as operating leases. Operating lease payments are recognized as an expense on a straight-line basis over the period of the lease contract. Subsequent costs associated with maintenance and insurance of the leased assets, are reflected in the comprehensive income statement when they originate.

3.5 Inventories

Tangible commodity inventories are stated at the lower among cost and net realizable value and include expenditure incurred in acquiring, processing and other direct costs, associated with delivery to their present location and condition.

At the end of each reporting period, inventories are valued at lower of the cost and net realizable value. The amount of the devaluation of the inventories to their net realizable value as an expense is recognized in the period of devaluation.

Net realizable value represents the estimated selling price for inventories less estimated costs for selling. If inventories have already been written down to net realizable value in a subsequent period and if it appears that conditions leading to its devaluation are no longer present, it is a new net realizable value that is adopted. Amount of the refund may be only to the extent of the balance amount before inventories depreciation.

Inventories at their consumption are written out using the average - weighted value.

On sale of inventories, their balance amount is recognized as an expense in the period in which the related revenue is recognized in line "cost of goods and other assets sold" in the statement of profit or loss and other comprehensive income.

3.6 Financial Instruments

The Company's financial instruments mainly consist of cash on hands and bank accounts, trade and other receivables and liabilities.

The Company recognises a financial asset or a financial liability in its statement of financial position when, and only when, it becomes party to the contractual provisions of the instrument.

The company's trade receivables do not contain a financing component. By this reason, at initial recognition the Company measures trade receivables at their transaction price (as defined in IFRS 15).

The Company derecognises a financial asset when, and only when the contractual rights to the cash flows from the financial asset expire.

On derecognition of a financial asset the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) shall be recognised in profit or loss.

The Company removes a financial liability (or a part of a financial liability) from its statement of financial position when, and only when, it is extinguished—ie when the obligation specified in the contract is discharged or cancelled or expires.

The financial assets of the company are not encumbered with weights.

3.7 Cash and Cash equivalents

Cash and cash equivalents consist of cash amounts in cash safes, bank balances and bank deposits, and letters of credit.

3.8 Amounts owed to employees

Current incomes

The current incomes of staff, in the form of remuneration, bonuses and social benefits, are recognized as expense in the Statement of Profit or Loss and other comprehensive income, in the period the work for them is done or the requirements for receiving them are present and as current liability (after deduction of all already paid amounts and necessary deductions). The liabilities of the company regarding social and health insurance are recognized as current expense and liability in their undiscounted amount, together and in the period of accrual of the respective incomes to which they relate.

The company considers short-term compensated absences liabilities arising on the basis of unused annual leave in cases when they are expected to occur within one year after the date of the reporting period in which the employees performed the work, associated with these holidays. Current liabilities to the personnel include payables for wages and social security.

Current employee benefits, including legal holidays are included in current liabilities to staff on undiscounted value, expected to be paid to employees in return for their labor for the period.

Incomes after termination of contract

The entity recognises termination benefits as a liability and an expense when, and only when, the entity is demonstrably committed to either:

(a) terminate the employment of an employee or group of employees before the normal retirement date; or

(b) provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

As of 31.12.2018 there is no detailed formal plan for the termination without a realistic possibility of withdrawal.

The entity is not committed, by legislation, by contractual or other agreements with employees or their representatives or by a constructive obligation based on business practice, custom or a desire to act equitably, to make payments (or provide other benefits) to employees when it terminates their employment.

The company is not a participant in post-employment benefit plans - formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

3.9.1. Capital

The company's equity structure is as follows:

- Registered capital, comprising of one share with a nominal value of 4 756 210 BGN
- Reserves, representing additional capital
- Retained Earnings, comprising of net profit of the current and prior reporting periods

The equity of the company is not subject to externally imposed requirements. The company retains an optimal amount of registered capital, which allows it to do business normally without a need for using external financing. The Retained earnings consist of net profit from the current and prior reporting periods. The trend is that net profit from the previous reporting period is distributed in full amount as dividend payment to the sole shareholder. The dividend distribution is done with a resolution from the sole shareholder after the sole shareholder accepts the annual financial statement report. The amount of the distributed dividend is presented in the statement of changes in equity in line "dividend", and the sum of the paid dividend is presented in the statement of cash flows in section "cash flows from financial activity", line "dividend payments". Non-cash assets are not distributed as dividends.

3.9.2. Financial liabilities

As of 31/12/2018 there are no changes in the classification of the financial liabilities of the company, due to the changes of their balance sheet.

The current liabilities, along with current receivables, represent financial instruments for the company. Due to their short-term nature, balance sheet value of the liabilities is reasonably close (approximated) to their fair value.

Financial liabilities of the company are mainly trade and other payables.

Financial liabilities are recognized when there is a contractual obligation to deliver cash or another financial asset to another entity, or a contractual obligation to exchange financial instruments with another entity on potentially unfavorable terms.

Trade payables are recognized initially at their nominal value and are subsequently reduced by settlement payments.

3.10 Provisions, contingent liabilities and contingent assets

Provisions are recognized when it is probability present obligations resulting from past events to lead to an outflow of resources from the company and can be made reliable estimate of the amount of the obligation. Present obligation arises from the presence of a legal or constructive obligation as a result of past events, such as guarantees, litigation and onerous contracts. The amount recognized as a provision is calculated based on the most reliable estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties, including those related to current debt. The company applies the method of "provision, based on a specific base", according to the period of overdue payments.

Provisions are discounted when the effect of the time value of money is significant. In cases where it cannot be made reliable estimate of the amount of the obligation, it is disclosed as a potential liability. The company does not recognize their contingent assets recognition since it may result in the recognition of income that may never be realized.

3.11 Income and Expenses

Revenues include revenue from the sale of goods, provision of services and other revenue.

Revenues are measured at the fair value of the consideration received or receivable payment or compensation, after deduction of any trade discounts and volume rebates.

On sale of goods, the revenue is recognized when the conditions are fulfilled on that, that the significant risks and rewards of the ownership are transferred to the buyer, it is not retained continuing involvement in the management of the goods, effective control over the amount of revenue can be reliably measured, it is likely that the economic benefit from the transaction will be obtained and the associated costs can be estimated reliably.

Revenue from rendering of services is recognized when the outcome of the transaction can be properly assessed. Completion of the stage is usually determined by analysis of the work.

The gain or loss on disposal of an asset is determined as the difference of the proceeds and the balance sheet value of the asset and is recognized in the Statement of profit or loss and other comprehensive income.

Current expenses are recognized in the Statement of profit or loss and other comprehensive income upon the criteria from IAS.

3.12 Financial expenses and income

Finance income includes interest income on funds invested in bank deposits and gains from foreign currency transactions. Interest income is accounted for using the effective interest method.

Financial expenses include commission fees and bank taxes, losses on transactions in foreign currency, interest expense on borrowings and finance lease (if and when such are present). Expenses for bank taxes, commissions and interest are recorded on an accrual basis.

3.13 Income taxes

Taxes that are recognized in the Profit or loss and other comprehensive income statement include the amount of deferred tax and current tax expense, which are not recognized directly in equity.

The current tax expense is calculated in accordance with the applicable tax rates and tax rules for income tax for taxation for the period to which they relate, based on transformed financial result for tax purposes.

Current income tax assets or liabilities comprise of those claims or liabilities to the budget which are relating to the current period and which are unpaid at the date of Statement of financial position.

Deferred taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their respective tax bases.

The amount of deferred tax assets and liabilities are calculated not discounted, using tax rates that are expected to be valid for the period of their realization and which are in force and are known at the date of Statement of financial position.

Deferred tax liabilities are recognized in their full size. Deferred tax assets are recognized only to the extent that they are likely to be offset against future tax income. Deferred tax assets are reduced to the size of those for future benefits which is more likely to be realized. Deferred tax asset and deferred tax liabilities are not compensated in the statement of financial position.

Significant part of the changes in deferred tax assets or liabilities are recognized as tax expenses in the Statement of profit or loss and other comprehensive income. Changes in deferred tax assets or liabilities due to changes in the fair value of assets or liabilities that are recognized in equity are recognized directly in the equity.

4. Explanatory notes to the financial statements

The company applies approved by management accounting policies. Presented information in the financial statements is based on current accounting and ERP software through system "SAP".

4.1. Gross sales revenue in the Statement of profit or loss and other comprehensive income:

	2018 thousand BGN	2017 thousand BGN
Revenue from Sale of Goods	**27 437**	31 160
Revenue from other services	**227**	1 618

4. 2. Other income:

	2018 thousand BGN	2017 thousand BGN
Reintegration provision charged for annual unused leaves	103	103
Excess of commodity material goods	3	3
Revenues from written off payables		2
Other revenues	65	69

4.3. Cost of goods sold:

Cost of goods sold and other assets in the Statement of profit or loss and other comprehensive income for 2018 is 16 843 thousand BGN and for 2017 is 16 603 thousand BGN. The carrying amount of the fixed asset sold is one thousand BGN.

4. 4. Cost of materials:

Material costs for the year 2018 are 754 thousand BGN and for the year 2017 amount to 908 thousand BGN and include:

	2018 thousand BGN	2017 thousand BGN
Fuels and lubricants	126	120
Vehicle Parts	1	2
Electricity and water	43	48
Stationery and supplies	53	50
Advertising materials	529	687
Other Materials	2	1

4.5. Expenses for outside services:

Hired services for 2018 are 3 138 thousand BGN and for 2017 years amounted to 8 476 thousand BGN and include:

	2018 thousand BGN	2017 thousand BGN
Rent	613	621
Transport and courier services	510	479
Software and hardware support	91	77
Miscellaneous fees		48
Advertising services	1 618	4 072
Repair and maintenance of vehicles	10	11
Insurance	13	12
Security	3	2
Telecommunication services and internet	41	41
Repair and maintenance of office and office equipment	8	14
Legal and consulting services	97	121
Annual Bonuses		2 902
Merchandising services and commissions	54	41
Other external services	80	35

4.6. Expenses for the personnel:

The costs of short-term employee benefits for 2018 in total are 2 502 thousand BGN and for 2017 in the total amount of 2 367 thousand BGN include:

	2018 thousand BGN	2017 thousand BGN
Salaries	2 155	2 040
Social security	347	327

The average number of employees in the company as on 31.12.2018 is 92 persons and as on 31.12.2017 is 93 persons, allocated as follows:

	2018	2017
Managers	9	9
Specialists	25	25
Technicians and dedicated specialists	25	22
Support administration stuff	21	24

Stuff, occupied with services for the people, trade and security	12	13

4.7. Other Expenses:

The other expenses for 2018 amount to 284 thousand BGN and for 2017 amount to 320 thousand BGN and include:

	2018 thousand BGN	2017 thousand BGN
Business trips	32	38
Entertainment expenses	25	31
Impairment of current assets	155	168
Missing inventory and write-off of damaged goods (incl. VAT)	68	78
Expenses for insurance claims	1	
Local taxes and tax on expenses	3	4
Other expenses		1

4.8. Net financial expenses:

The net financial expenses for 2018 amount to 33 thousand BGN and for 2017 amount to 19 thousand BGN and include:

In decrease:	2018 thousand BGN	2017 thousand BGN
Negative exchange differences	20	8
Bank fees and commissions	16	15

In increase:	2018 thousand BGN	2017 thousand BGN
Interest income		1
Positive exchange differences	3	3

4. 9. Non-current assets:

4. 9.1 Tangible fixed assets

All acquired and controlled by the company's tangible fixed assets are valued at cost and classified as depreciable, having in mind the limited duration of their practical use. Balance sheet value of fixed assets at 31.12.2018 is 125 thousand BGN.

Fixed assets in thousand BGN	Machinery, equipment and computers	Other fixed mater. Assets	Total
Cost			
Balance 01.01.2018	**307**	**196**	**503**
Additions	27	4	31
Disposals	9	61	70
Balance 31.12.2018	**325**	**139**	**464**
Depreciations			
Balance 01.01.2018	**222**	**154**	**376**
Depreciation charge for the year	28	4	32
Depreciation of assets written off	9	60	69
Balance 31.12.2018	**241**	**98**	**339**
Carrying amount			
01.01.2018	**85**	**42**	**127**
31.12.2018	**84**	**41**	**125**

At the end of the reporting period the company performed a test for impairment of non-current assets comparing if their book value differs substantially from their fair value, taking into consideration their moral and physical wear. During this test no indications for impairment was present. The book value of all fully depreciated assets, which are still in use, is 263 thousands BGN. There are no assets, temporary out of usage, as well as such that are not being depreciated due to any possible reason.

As of 31.12.2018 there is no limitation on the ownership rights of the tangible non-current assets of the company, and no part of them is pledged as collateral in any possible way.

4.9.2. Intangible fixed assets:

The company does not have integrally developed or fully depreciated intangible fixed assets. All of the acquired and controlled by the company intangible fixed assets are reported at acquisition value and defined as depreciable, based on the limited term of their practical usage. As of 31.12.2018 the book value of the intangible fixed assets amounts to 548 thousands BGN.

Fixed assets in thousand BGN	SAP software	SAP software rights	Total
Cost			
Balance 01.01.2018	**575**	**206**	**781**
Additions			
Disposals			
Balance 31.12.2018	**575**	**206**	**781**

Depreciations			
Balance 01.01.2018	**96**	**84**	**180**
Depreciation charge for the year	26	27	53
Depreciation of assets written off			
Balance 31.12.2018	**122**	**111**	**233**
Carrying amount			
01.01.2018	**479**	**122**	**601**
31.12.2018	**453**	**95**	**548**

At the end of the reporting period the company performed a test for impairment of assets comparing if their book value differs substantially from their fair value, taking into consideration their moral and physical wear. During this test no indications for impairment was present.

The book value of all fully depreciated assets, which are still in use, is 76 thousands BGN. There are no assets, temporary out of usage, as well as such that are not being depreciated due to any possible reason.

As of 31.12.2018 there is no limitation on the ownership rights of the intangible non-current assets of the company, and no part of them is pledged as collateral in any possible way.

4.10. Deferred tax assets:

Deferred tax assets were formed at the rate of corporate tax of 10%. They are formed by the following temporary differences and have a balance as follows:

	2018 thousand BGN		**2017 thousand BGN**	
	sum of difference	**sum of asset**	**sum of difference**	**sum of asset**
An effect due to applying of IFRS 9	176	18		
Difference between accounting and tax balance sheet value of non-current assets	50	5	44	5
Expenses on provisions for unused compensated annual leaves and social security on them	104	10	103	10
Expenses for impairment of current assets	167	17	181	18
Total	**497**	**50**	**328**	**33**

4.11. Inventories:

In this group are reported the goods presented at net realizable value.

Net realizable value of inventories at 31.12.2018 amounts to 3 792 thousand BGN and at 31.12.2017 amounted to 3 814 thousand BGN. The book value of the goods sold during the reporting period 2018 is 16 842 thousand BGN and for the previous reporting period 2017 was 16 603 thousand BGN. The amount of the impairment of inventory (stock), booked as expense (in line "other operating expense" in the statement of profit or loss and other comprehensive income) and in corrective account ("impairment of inventories" in the statement of financial position) for the current reporting period 2018 is 50 thousand BGN. For the previous reporting period 2017 the amount of the impairment of inventories, reported in the same way, was 50 thousand BGN.

The company has no inventories pledged as collateral.

4.12. Trade and other receivables.

Trade and other receivables at 31.12.2018 amounted to 8 518 thousand BGN and at 31.12.2017 amounted to 8 739 thousand BGN and are split as follows:

	2018 thousand BGN	2017 thousand BGN
Receivables from customers	8 114	8 319
Advances paid to Suppliers	7	7
Prepaid Expenses	100	34
Guarantees	40	38
Receivables on court claims	257	298
Overpaid Income tax		43

Receivables from customers

Short-term receivables in BGN are measured at the nominal value of the receivables, less any impairment losses for doubtful debts. Claims in foreign currency are valued at the closing exchange rate of Bulgarian National Bank (BNB) on 31.12.2018, less the value of any accumulated impairment losses. Impairment is calculated on an aging analysis of receivables from due date until 31.12.2018.

The basic risk, coming from the financial instruments (financial assets) for the company is the credit risk. The policy, which the company applies for management of these risks is disclosed below. From the company point of view, the following risks did not occur during 2018 – risk of cash flow and price risk, including currency, interest and market risk.

Credit risk – the risk, that one part of the financial instrument will cause financial loss to the other should it default on their payment.

The company works mainly with established and solvent customers. The company policy is that all clients, requesting delayed payment, are subject to procedures for check of their solvency and each one is awarded an individual credit limit. In addition, the balances of these customers are continuously monitored, as a result of which the company does not have material exposition in uncollectable receivables. There is no concentration in the company of credit risk. The amount of overdue receivables over 90 days at 31.12.2018 is 490 thousand BGN (5.67 % of all receivables) and although a provision is set aside for them, the company is taking all possible measures to collect them.

The overdue and uncollectable receivables are not concentrated in one client. They are also not influenced by geographical region or market.

4.13. Cash:

Cash funds as of 31.12.2018 amount to 1 883 thousand BGN and as of 31.12.2017 amount to 1 582 thousand BGN as follows:

	2018 thousand BGN	2017 thousand BGN
Cash in cash case	3	10

Cash at bank	567	195
Bank deposits	1 089	1 207
Letter of credit	224	170

4.14. Trade and other payables:

Trade and other payables at 31.12.2018 amount to 6 228 thousand BGN and at 31.12.2017 amounted to a total of 6 028 thousand BGN and are split as follows:

	2018 thousand BGN	2017 thousand BGN
Liabilities to suppliers	3 848	3 879
Liabilities for dividends	2 380	2 149

The basic risk, coming from the financial instruments (financial liabilities) for the company is the liquidity risk. The policy, which the company applies for management of this risk is disclosed below.

Liquidity risk – the risk that the company will experience difficulties to serve its obligations regarding financial liabilities, settled with cash or cash equivalents or other financial asset.

The effective management of the liquidity of the company requires the maintenance of sufficient working capital, mainly though timely collection of receivables from customers in order to pay the financial liabilities. At the end of the period the company does not have overdue liabilities to suppliers.

Trade liabilities are liabilities of the company to suppliers and liability to the sole shareholder for dividend payments.

There is no premature option of the liabilities in the contracts with suppliers.

The company is maintaining such a balance of cash and cash equivalents and receivables from customers with approaching maturity, so that they are enough to cover current liabilities (financial liabilities as well as tax liabilities) and will not cause a negative effect on its financial result and/or equity in the next reporting period.

4.15. Net current taxes:

Net current tax liabilities at 31.12.2018 amounted to 211 thousand BGN and at 31.12.2017 amounted to 259 thousand BGN and represent:

	2018 thousand BGN	2017 thousand BGN
Amounts owed on VAT	196	213
Liabilities on Corporate tax	12	37
Other liabilities to the fisk	3	9

4.16. Registered capital and retained earnings:

The capital structure of the Company is as follows:

Components of equity	2018 thousand BGN	2017 thousand BGN
Registered capital	4 756	4 756

Additional reserve	1	1
An effect due to applying of IFRS 9	(159)	
Net profit for the period	3 775	3 749
Total equity	**8 373**	**8 506**

4.17. Income tax expenses:

The Company is subject to taxation. The corporate income tax is calculated at the rate of 10% applied to the tax base. The tax base (profit) is calculated by increasing the accounting profit with all tax differences (permanent and temporary) and decreasing with the reversible tax differences and all incomes, which are not recognized for tax purposes in the year of their accounting recognition. In addition, when determining the tax base, all other amounts, which according to the current legislation participate in the formation of the taxable result for the period, are taken into consideration. Advance payments done for 2018 amounted to 408 thousand BGN and difference in tax payable is of 12 thousand BGN.

Corporate tax in the Statement of profit or loss and other comprehensive income:	**2018 thousand BGN**	**2017 thousand BGN**
Tax profit for the period	4 205	4 086
Tax at the applicable tax rate of 31.12.2018	420	409
Amount of deferred tax , related to origination of temporary differences	(26)	(27)
Amount of deferred tax , related to reversal of temporary differences	27	37
Income tax expense on the profit	421	419

4.18. Provisions

In the company as liabilities on provisions are reported the undiscounted amount of the paid annual leave to employees in return for work for the period as follows:

	2018 thousand BGN	**2017 thousand BGN**
The cost of accumulating compensated absences	87	86
Social security expense on these amounts	17	17
Used amounts during the current reporting period of provisions accrued in previous reporting periods	103	103

The accrued in the current reporting period provisions are expected to be used, causing outgoing flows of economic benefits, in the next reporting period in their full amount.

4.19. Leased assets

The company is a lessee under a contract for operational lease of vehicles with lessor "Moto Pfohe". This contract cannot be treated as non-cancellable, according to the articles in it.

The lease payment, booked as expense during the current accounting period 2018 amounts to 267 thousand BGN and for the previous reporting period 2017 amounted to 282 thousand BGN.

4.20. Related parties

The owner of "Sarantis Bulgaria EOOD" is the legal entity "GR. SARANTIS CYPRUS" LIMITED - CYPRUS.

The parent company and final owner of the group of enterprises, part of which are "GR.SARANTIS CYPRUS" LIMITED-Cyprus and "Sarantis Bulgaria" Ltd" is GR.SARANTIS S.A. – Greece. The parent company is the final controlling enterprise, which presents a consolidated financial statement for public use.

The content of the Group and the characteristics of the relations (connections) between the enterprises in the Group are displayed in the below table:

Controlled enterprise	Controlling enterprise	Characteristics of relationship	Country
SARANTIS BELGRADE D.O.O	GR SARANTIS CYPRUS L.T.D.	100% - SUBSIDIARY	SERBIA
SARANTIS BANJA LUKA D.O.O	SARANTIS BELGRADE D.O.O	100% - SUBSIDIARY	BOSNIA
SARANTIS SKOPJE D.O.O	SARANTIS BELGRADE D.O.O	100% - SUBSIDIARY	F.Y.R.O.M.
SARANTIS BULGARIA L.T.D.	***GR SARANTIS CYPRUS L.T.D.***	***100% - SUBSIDIARY***	***BULGARIA***
SARANTIS ROMANIA S.A.	GR SARANTIS CYPRUS L.T.D.	100% - SUBSIDIARY	ROMANIA
SARANTIS FRANCE S.A. R.L.	GR SARANTIS CYPRUS L.T.D.	50% - ASSOCIATE	GREECE
SARANTIS POLSKA S.A.	GR SARANTIS CYPRUS L.T.D.	100% - SUBSIDIARY	POLAND
POLYPACK	SARANTIS POLSKA S.A.	70% - SUBSIDIARY	CYPRUS
SARANTIS CZECH REPUBLIC sro	GR SARANTIS CYPRUS L.T.D.	100% - SUBSIDIARY	CZECH REPUBLIC
SARANTIS PORTUGAL Lda	GR SARANTIS CYPRUS L.T.D.	100% - SUBSIDIARY	PORTUGAL
ASTRID TM A.S.	GR SARANTIS CYPRUS L.T.D.	100% - SUBSIDIARY	CZECH REPUBLIC
SARANTIS HUNGARY Kft.	GR SARANTIS CYPRUS L.T.D.	100% - SUBSIDIARY	HUNGARY
ELODE FRANCE S.A.R.L	GR. SARANTIS S.A.	100% - SUBSIDIARY	FRANCE
GR SARANTIS CYPRUS L.T.D.	GR. SARANTIS S.A.	100% - SUBSIDIARY	CYPRUS
ZETAFIN LTD	GR SARANTIS CYPRUS L.T.D.	100% - SUBSIDIARY	CYPRUS
ZETA COSMETICS L.T.D.	ZETAFIN LTD	100% - SUBSIDIARY	CYPRUS
ELCA COSMETICS L.T.D.	ZETA COSMETICS LTD	49% - ASSOCIATE	CYPRUS
ESTEE LAUDER HELLAS	ELCA COSMETICS L.T.D.	49% - ASSOCIATE	GREECE
ESTEE LAUDER BULGARIA	ELCA COSMETICS L.T.D.	49% - ASSOCIATE	BULGARIA

ESTEE LAUDER ROMANIA	ELCA COSMETICS L.T.D.	49% - ASSOCIATE	ROMANIA
WALDECK L.T.D.	ZETAFIN LTD	100% - SUBSIDIARY	CYPRUS
SAREAST CONSUMER PRODUCTS L.T.D.	WALDECK L.T.D.	100% - SUBSIDIARY	CYPRUS
SANECA TRADE sro	ASTRID TM A.S.	100% - SUBSIDIARY	SLOVAKIA
SANECA TRADE CZECH sro	SARANTIS CZECH REPUBLIC sro	100% - SUBSIDIARY	CZECH REPUBLIC
IVYBRIDGE VENTURES L.T.D.	GR SARANTIS CYPRUS L.T.D.	90% - SUBSIDIARY	CYPRUS
ERGOPACK LLC	IVYBRIDGE L.T.D.	90% - SUBSIDIARY	UKRAINE
HOZTORG L.T.D.	IVYBRIDGE L.T.D.	90% - SUBSIDIARY	RUSSIA

Intra-group sales/purchases:

	2018 thousand BGN	2017 thousand BGN
Purchases from:		
GR. SARANTIS S.A. GREECE	3870	3 559
SARANTIS BELGRADE D.O.O. SERBIA		3
SARANTIS ROMANIA S.A. ROMANIA	6	1
SARANTIS POLSKA S.A. POLAND	1410	1 375
POLIPAK SP. Z.O.O.	8	
Total intra-group purchases	**5294**	**4 938**

	2018 thousand BGN	2017 thousand BGN
Sales to:		
GR. SARANTIS S.A. GREECE		640
SARANTIS ROMANIA S.A. ROMANIA	33	14
SARANTIS POLSKA S.A. POLAND	6	5
SARANTIS BELGRADE D.O.O. SERBIA	20	
SARANTIS CZECH REPUBLIC S.R.O. CZECH REPUBLIC	2	9
Total intra-group sales	**61**	**668**

Intra-group outstanding balances:

	2018 thousand BGN	2017 thousand BGN
Liabilities to:		
GR. SARANTIS S.A. GREECE	212	217
SARANTIS ROMANIA S.A. ROMANIA		-31

POLIPAK SP. Z.O.O.	8	
SARANTIS POLSKA S.A. POLAND	273	261
Total intra-group liabilities	**493**	**447**

	2018 thousand BGN	2017 thousand BGN
Receivables from:		
SARANTIS POLSKA S.A. POLAND	6	
Total intra-group receivables	**6**	

Related parties transactions were made on terms equivalent to those that prevail in arm's length transactions where such terms are substantiated.

Related parties transactions do not include requirements and conditions, necessitating a security or guarantee regarding their execution. During the current reporting period no expenses are incurred/booked, which are due to bad or doubtful intra-company debt, as well as no provision is set aside for receivables from intra-company partners.

The personal income paid to the key management staff for the period amounts to 168 thousand BGN. At the end of the reporting period, there are no unsettled balances with key management staff.

4.21. Events after the financial statement date:

After the date on which the financial statements were authorized for issue, there were no corrective events to be disclosed and any corrective been reflected in the financial statements.

САРАНТИС БЪЛГАРИЯ ЕООД СОФИЯ

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Sofia

SARANTIS
Great brands for everyday

ANNUAL FINANCIAL STATEMENT OF SARANTIS BULGARIA LTD FOR THE YEAR 2018

Great brands for everyday

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