

Original

GOTHALS LIMITED

REPORT AND FINANCIAL STATEMENTS
31 December 2017

GOTHALS LIMITED

REPORT AND FINANCIAL STATEMENTS 31 December 2017

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GOTHALS LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:	Constantia Kalli Foullidou Elena Dimitriou
Company Secretary:	Abacus Secretarial Limited
Independent Auditors:	KPSA CHARTERED ACCOUNTANTS 15 Themistokli Dervi Street 1st floor, P.O. Box 27040 1641 Nicosia Cyprus
Registered office:	Themistokli Dervi, 5 Elenion Building, 2nd floor P.C. 1066, Nicosia Cyprus
Bankers:	Bank of Cyprus Public Company Ltd Bank Julius Baer & Co. Ltd MBank S.A.
Registration number:	HE209767

GOTHALS LIMITED

MANAGEMENT REPORT

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2017.

Principal activities and nature of operations of the Company

The principal activities of the Company are the holding and licensing of trademarks as well as the holding of investments.

Review of current position, future developments and performance of the Company's business

The Company's development to date, financial results and position as presented in the financial statements are considered satisfactory.

A plan of cross border merger through acquisition has been approved on the 25th of May 2015 based on which all of the assets and liabilities of the Company, being the Target Company, shall be transferred to its sole shareholder, LPP SA, being the Acquiring Company.

As a result of the cross border merger, LPP SA shall acquire all the rights and obligations of the Company and the latter shall be dissolved, on the date that the District Court in Poland makes the entry of the merger. However, the Company has not yet proceeded with the application to the court for the issuance of the pre merger certificate.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Company are disclosed in notes 3 and 4 of the financial statements.

Results and Dividends

The Company's results for the year are set out on page 7. The Board of Directors, following consideration of the availability of profits for distribution as well as the liquidity position of the Company, approved the payment of a dividend as detailed below and the remaining net profit for the year is retained.

Dividends

During 2016, the Board of Directors approved the payment of interim dividends for the total amount of PLN241.498.146 (2016: PLN205.949.360).

Share capital

There were no changes in the share capital of the Company during the year under review

Board of Directors

The members of the Company's Board of Directors as at 31 December 2017 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2017.

In accordance with the Company's Articles of Association all Directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors

Events after the reporting period

Any significant events that occurred after the end of the reporting period are described in note 25 to the financial statements.

Related party transactions

Disclosed in note 22 of the financial statements.

GOTHALS LIMITED

MANAGEMENT REPORT

Independent Auditors

The Independent Auditors, KPSA, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,



Abacus Secretarial Limited
Secretary

Nicosia, 12 February 2018

KPSA

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Independent Auditor's Report

To the Members of Gothals Limited

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of parent company Gothals Limited (the "Company"), which comprise the statement of financial position as at 31 December 2017 and 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements give a true and fair view of the financial position of parent company Gothals Limited as at 31 December 2017 and 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Qualified Opinion

In respect of the intangible assets of the Company presented in the statement of financial position at the value of PLN 4,354,112,000 relating to trademarks, we have not been able to confirm the valuation and consequently the recoverability of the cost of the assets due to the fact that no valuation has been carried out for the last four years. Therefore, we were unable to obtain sufficient and appropriate audit evidence as to the valuation and recoverability of the cost of the Company's intangible assets.

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 that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the management report and the additional information to the statement of profit or loss and other comprehensive income in pages 27 to 29, but does not include the financial statements and our auditor's 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.

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.

Independent Auditor's Report (continued)

To the Members of Gothals Limited

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors 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, the Board of Directors 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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities 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 a 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 the 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 collusion, forgery, intentional omissions, 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 accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 on 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 events or conditions may 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 represent the underlying transactions and events in a manner that achieves a true and fair view.

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

Independent Auditor's Report (continued)

To the Members of Gothals Limited

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the management report, has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the management report.

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



Constantinos Antoniou
Certified Public Accountant and Registered Auditor
for and on behalf of
KPSA
CHARTERED ACCOUNTANTS

Nicosia, 12 February 2018

GOTHALS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 31 December 2017

	Note	2017 PLN	2016 PLN
Revenue	5	240.946.344	202.311.052
Administration expenses		(475.298)	(366.518)
Other expenses	6	-	(167.350)
Operating profit	7	240.471.046	201.777.184
Finance income	8	4.237	429.793
Finance costs	8	(640.407)	(38.895)
Profit before tax		239.834.876	202.168.082
Tax	9	(5.652.658)	(5.669.938)
Net profit for the year		234.182.218	196.498.144
Other comprehensive income		-	-
Total comprehensive income for the year		234.182.218	196.498.144

The notes on pages 12 to 26 form an integral part of these financial statements.

GOTHALS LIMITED

STATEMENT OF FINANCIAL POSITION


31 December 2017

	Note	2017 PLN	2016 PLN
ASSETS			
Non-current assets			
Intangible assets	11	4.354.112.000	4.354.112.000
Investments in subsidiaries	12	<u>3.000.000</u>	<u>-</u>
		4.357.112.000	4.354.112.000
Current assets			
Trade and other receivables	14	38.340.516	41.720.859
Refundable taxes	21	578.383	609.890
Cash at bank and in hand	15	<u>439.684</u>	<u>1.841.551</u>
		39.358.583	44.172.300
Total assets		<u>4.396.470.583</u>	<u>4.398.284.300</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	16	4	4
Share premium		1.067.845.229	1.067.845.229
Redeemable shares	17	721.776	721.776
Other reserves		2.936.372	2.936.375
Retained earnings		<u>3.308.308.620</u>	<u>3.315.624.548</u>
Total equity		<u>4.379.812.001</u>	<u>4.387.127.932</u>
Non-current liabilities			
Deferred tax liabilities	19	<u>16.327.920</u>	<u>10.885.280</u>
		16.327.920	10.885.280
Current liabilities			
Trade and other payables	20	67.551	94.213
Current tax liabilities	21	<u>263.111</u>	<u>176.875</u>
		330.662	271.088
Total liabilities		<u>16.658.582</u>	<u>11.156.368</u>
Total equity and liabilities		<u>4.396.470.583</u>	<u>4.398.284.300</u>

On 12 February 2018 the Board of Directors of Gothals Limited authorised these financial statements for issue.



Constantia Kalli Foullidou
Director



Elena Dimitriou
Director

The notes on pages 12 to 26 form an integral part of these financial statements.

GOTHALS LIMITED

STATEMENT OF CHANGES IN EQUITY 31 December 2017

	Note	Share capital PLN	Redeemable shares PLN	Share premium PLN	Non- refundable advances PLN	Retained earnings PLN	Total PLN
Balance at 1 January 2016		4	721.776	1.067.845.229	2.936.372	3.325.075.764	4.396.579.145
Comprehensive income							
Net profit for the year		-	-	-	-	196.498.144	196.498.144
Reduction of share capital							
Dividends	10	-	-	-	-	(205.949.360)	(205.949.360)
Total transactions with owners		-	-	-	-	(205.949.360)	(205.949.360)
Balance at 31 December 2016/ 1 January 2017		4	721.776	1.067.845.229	2.936.372	3.315.624.548	4.387.127.929
Comprehensive income							
Net profit for the year		-	-	-	-	234.182.218	234.182.218
Transactions with owners							
Dividends	10	-	-	-	-	(241.498.146)	(241.498.146)
Total transactions with owners		-	-	-	-	(241.498.146)	(241.498.146)
Balance at 31 December 2017		4	721.776	1.067.845.229	2.936.372	3.308.308.620	4.379.812.001

Share premium is not available for distribution.

The notes on pages 12 to 26 form an integral part of these financial statements.

GOTHALS LIMITED

STATEMENT OF CHANGES IN EQUITY

31 December 2017

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 12 to 26 form an integral part of these financial statements.

GOTHALS LIMITED

CASH FLOW STATEMENT

31 December 2017

	Note	2017 PLN	2016 PLN
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		239.834.876	202.168.082
Adjustments for:			
Exchange difference arising on the translation of non-current assets in foreign currencies		-	54.242
Unrealised exchange loss/(profit)		325.860	(429.788)
Loss from the sale of financial assets at fair value through profit or loss		-	166.698
Interest income	8	(293)	(5)
Interest expense	8	1.357	-
Reduction of share capital		-	-
		<u>240.161.800</u>	<u>201.959.229</u>
Changes in working capital:			
Decrease/(increase) in trade and other receivables		3.380.340	(6.380.806)
Increase in financial assets at fair value through profit or loss		-	(166.698)
Decrease in trade and other payables		<u>(26.662)</u>	<u>(192.869)</u>
Cash generated from operations		<u>243.515.478</u>	<u>195.218.856</u>
Tax paid		<u>(92.275)</u>	<u>(123.271)</u>
Net cash generated from operating activities		<u>243.423.203</u>	<u>195.095.585</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for purchase of investments in subsidiaries	12	(3.000.000)	-
Proceeds from sale of available-for-sale financial assets		-	1.571.154
Interest received		293	5
Net cash (used in)/generated from investing activities		<u>(2.999.707)</u>	<u>1.571.159</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Unrealised exchange (loss)		(325.860)	371.737
Interest paid		(1.357)	-
Dividends paid		<u>(241.498.146)</u>	<u>(205.949.360)</u>
Net cash used in financing activities		<u>(241.825.363)</u>	<u>(205.577.623)</u>
Net decrease in cash and cash equivalents		<u>(1.401.867)</u>	<u>(8.910.879)</u>
Cash and cash equivalents at beginning of the year		<u>1.841.551</u>	<u>10.752.430</u>
Cash and cash equivalents at end of the year	15	<u>439.684</u>	<u>1.841.551</u>

The notes on pages 12 to 26 form an integral part of these financial statements.

GOTHALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

1. Incorporation and principal activities

Country of incorporation

The Company Gothals Limited (the "Company") was incorporated in Cyprus on 8 October 2007 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at Themistokli Dervi, 5, Elenion Building, 2nd floor, P.C. 1066, Nicosia, Cyprus.

Principal activities

The principal activities of the Company are the holding and licensing of trademarks as well as the holding of investments.

2. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

Basis of preparation

These financial statements are the separate financial statements. The Company has not prepared consolidated financial statements as the exemption from consolidation in paragraph 4(a) of IFRS10 'Consolidated Financial Statements', has been used. The Company's parent, LPP SA, a listed Company resident in Poland produces consolidated financial statements available for public use that comply with International Financial Reporting Standards as issued by the IASB. These consolidated financial statements can be obtained from the parent company's website.

Adoption of new and revised IFRSs

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2017. This adoption did not have a material effect on the accounting policies of the Company.

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.

Subsidiary companies

Subsidiaries are entities controlled by the Company. Control exists where the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Investments in subsidiary companies are stated at cost less provision for impairment in value, which is recognised as an expense in the period in which the impairment is identified.

Revenue recognition

Revenue comprises the invoiced amount for the licensing of trademarks net of Value Added Tax, rebates and discounts. Revenues earned by the Company are recognised on the following bases:

- **License fee income**

Licence fee income is recognised on an accruals basis in accordance with substance of the relevant agreements.

GOTHALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. Significant accounting policies (continued)

Revenue recognition (continued)

- **Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

Finance income

Finance income includes interest income which is recognised based on an accruals basis.

Finance costs

Interest expense and other costs on borrowings to finance construction or production of qualifying assets are capitalised, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

Foreign currency translation

(1) Functional and presentation currency

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (PLN), which is the Company's functional and presentation currency.

(2) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Dividends

Interim dividends are recognised in equity in the year in which they are approved by the Company's Directors. Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's shareholders.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. Significant accounting policies (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Patents and trademarks

Patents and trademarks are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. Significant accounting policies (continued)

Financial instruments (continued)

Trade receivables

Trade receivables are measured at initial recognition at fair value and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Financial assets

(1) Classification

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

- Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performance is evaluated on a fair value basis, in accordance with the Company's documented investment strategy. Information about these financial assets is provided internally on a fair value basis to the Company's key management personnel. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within twelve months from the reporting date.

Regular way purchases and sales of financial assets are recognised on trade-date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit or loss when the Company's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss, while translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

GOTHALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in other comprehensive income are included in profit or loss as gains and losses on available-for-sale financial assets.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Company's right to receive payments is established.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. 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 as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

For financial assets measured at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available for sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available for sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank.

Trade payables

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

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

GOTHALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

2. Significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

Preference shares

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity on approval by the Company's shareholders.

Preference share capital is classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

3. Financial risk management

Financial risk factors

The Company is exposed to interest rate risk, credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

3.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

GOTHALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

3. Financial risk management (continued)

3.2 Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities - primarily trade receivables and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Credit risk related to trade receivables: This is managed based on established policies, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal ratings. Credit quality of the customer is assessed and outstanding customer receivables are regularly monitored. The Company does not hold collateral as security.

Credit risk arises when a failure by counter parties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has policies in place to ensure that licensing of trademarks is made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

The Company's most significant customer, being its shareholder, accounts for PLN 35.807.525,99 out of the total amount of trade receivables carrying amount as at 31 December 2017 being PLN 37.813.400,56.

3.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

31 December 2017	Carrying amounts PLN	Contractual cash flows PLN	3 months or less PLN	3-12 months PLN	1-2 years PLN	2-5 years PLN	More than 5 years PLN
Trade and other payables	50.854	50.854	50.854	-	-	-	-
	50.854	50.854	50.854	-	-	-	-

31 December 2016	Carrying amounts PLN	Contractual cash flows PLN	3 months or less PLN	3-12 months PLN	1-2 years PLN	2-5 years PLN	More than 5 years PLN
Trade and other payables	76.577	76.577	76.577	-	-	-	-
	76.577	76.577	76.577	-	-	-	-

3.4 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

GOTHALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

3. Financial risk management (continued)

3.5 Capital risk management

Capital includes equity shares and share premium, convertible preference shares and loan from parent company

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses a variety of methods, such as estimated discounted cash flows, and makes assumptions that are based on market conditions existing at the reporting date.

4. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

- **Provision for bad and doubtful debts**

The Company reviews its trade and other receivables for evidence of their recoverability. Such evidence includes the customer's payment record and the customer's overall financial position. If indications of irrecoverability exist, the recoverable amount is estimated and a respective provision for bad and doubtful debts is made. The amount of the provision is charged through profit or loss. The review of credit risk is continuous and the methodology and assumptions used for estimating the provision are reviewed regularly and adjusted accordingly.

- **Income taxes**

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

GOTHALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

4. Critical accounting estimates and judgments (continued)

• Impairment of intangible asset

Intangible assets are initially recorded at acquisition cost and are amortized on a straight line basis over their useful economic life. Intangible assets that are acquired through a business combination are initially recorded at fair value at the date of acquisition. Intangible assets with indefinite useful life are reviewed for impairment at least once per year. The impairment test is performed using the discounted cash flows expected to be generated through the use of the intangible assets, using a discount rate that reflects the current market estimations and the risks associated with the asset. When it is impractical to estimate the recoverable amount of an asset, the Company estimates the recoverable amount of the cash generating unit in which the asset belongs to.

5. Revenue

	2017 PLN	2016 PLN
License fee income	240.946.344	202.311.052
	<u>240.946.344</u>	<u>202.311.052</u>

6. Other expenses

	2017 PLN	2016 PLN
Amounts written off	-	652
Loss from sales of financial assets at fair value through profit or loss	-	166.698
	<u>-</u>	<u>167.350</u>

7. Operating profit

	2017 PLN	2016 PLN
Operating profit is stated after charging the following items:		
Auditors' remuneration	33.881	34.758

8. Finance income/cost

	2017 PLN	2016 PLN
Interest income	293	5
Exchange profit	3.944	429.788
Finance income	<u>4.237</u>	<u>429.793</u>
Net foreign exchange losses	(629.797)	(21.036)
Interest expense	(1.357)	-
Sundry finance expenses	(9.253)	(17.859)
Finance costs	<u>(640.407)</u>	<u>(38.895)</u>
Net finance (costs)/income	<u>(636.170)</u>	<u>390.898</u>

GOTHALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

9. Tax

9.1 Tax recognised in profit or loss

	2017 PLN	2016 PLN
Overseas tax	210.018	227.296
Defence contribution - current year	-	2
Deferred tax - charge (Note 19)	5.442.640	5.442.640
Charge for the year	5.652.658	5.669.938

The tax on the Company's profit before tax differs from theoretical amount that would arise using the applicable tax rates as follows:

	2017 PLN	2016 PLN
Profit before tax	239.834.876	202.168.082
Tax calculated at the applicable tax rates	29.979.360	25.271.010
Tax effect of expenses not deductible for tax purposes	82.892	25.361
Tax effect of allowances and income not subject to tax	(27.213.693)	(27.267.529)
Tax effect of tax losses brought forward	(2.848.559)	-
Tax effect of tax loss for the year	-	1.971.158
Defence contribution current year	-	2
Deferred tax	5.442.640	5.442.640
Overseas tax in excess of credit claim used during the year	210.018	227.296
Tax charge	5.652.658	5.669.938

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 15% (10% to 31 August 2011). In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17% (15% to 31 August 2011).

Due to tax losses sustained in the year, no tax liability arises on the Company. Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years.

The Company's chargeable income for the year amounted to PLN22.788.468 which has been set off against tax losses brought forward. Under current legislation, tax losses may be carried forward and be set off against taxable income of the five succeeding years.

10. Dividends

	2017 PLN	2016 PLN
Interim dividend paid	241.498.146	205.949.360
	241.498.146	205.949.360

During 2016, the Board of Directors approved the payment of interim dividends for the total amount of PLN241.498.146 (2016: PLN205.949.360).

Dividends are subject to a deduction of special contribution for defence at 17% for individual shareholders that are both Cyprus tax resident and Cyprus domiciled. Dividends payable to non-residents of Cyprus are not subject to such a deduction.

GOTHALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

11. Intangible assets

	Patents and trademarks PLN
Cost	
Balance at 1 January 2016	4.354.112.000
Balance at 31 December 2016/ 1 January 2017	4.354.112.000
Balance at 31 December 2017	4.354.112.000
Net book amount	
Balance at 31 December 2017	4.354.112.000
Balance at 31 December 2016	4.354.112.000

During 2014, the trademarks of one of the Company's subsidiaries were transferred under the Company's ownership upon the subsidiary's liquidation.

No amortisation is provided on Patents and Trademarks. The Board of Directors is of the opinion that there is no foreseeable limit on the period during which the asset is expected to generate future cash flows.

12. Investments in subsidiaries

	2017 PLN	2016 PLN
Balance at 1 January	-	-
Additions	3.000.000	-
Balance at 31 December	3.000.000	-

The details of the liquidated subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2017 Holding %	2016 Holding %	2017 PLN
P&L Marketing & Advertising Agency S.A.L.	Lebanon	Marketing and advertising	100	-	3.000.000
			-	-	-
					3.000.000

Based on a resolution dated 13 January 2017, the Company subscribes for the 97,31% (36.250 shares) of P&L Marketing Advertising Agency S.A.L. (Lebanon) for the total amount of LBP 1.087.500.000 (equivalent to €687.000).

13. Available-for-sale financial assets

	2017 PLN	2016 PLN
Balance at 1 January	-	1.625.396
Disposals	-	(1.571.154)
Exchange differences	-	(54.242)
Balance at 31 December	-	-
Current portion	-	-

GOTHALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

13. Available-for-sale financial assets (continued)

Based on the notification letter issued by BoC dated 8 August 2013 the Company held 2.485.451 Class A shares with nominal value of €1 each.

During 2016, the Company has proceeded with the disposal of all shares held in Bank of Cyprus. The fair value of the share on the date of disposal was €0,1360.

14. Trade and other receivables

	2017 PLN	2016 PLN
Trade receivables	2.381.661	2.007.620
Receivables from associates (Note 22.2)	35.899.164	39.631.669
Shareholders' current accounts - debit balances (Note 22.3)	4	4
Deposits and prepayments	-	14.588
Refundable VAT	59.687	66.978
	38.340.516	41.720.859

The Company does not hold any collateral over the trading balances.

The exposure of the Company to credit risk and impairment losses in relation to trade and other receivables is reported in note 3 of the financial statements.

15. Cash at bank and in hand

	2017 PLN	2016 PLN
Cash at bank and in hand	439.684	1.841.551
	439.684	1.841.551

For the purposes of the cash flow statement, the cash and cash equivalents include the following

	2017 PLN	2016 PLN
Cash at bank and in hand	439.684	1.841.551
	439.684	1.841.551

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 3 of the financial statements.

16. Share capital

	2017 Number of shares	2017 PLN	2016 Number of shares	2016 PLN
Authorised				
Ordinary shares of €1,71 each	2.001	7.912	2.001	7.912
		PLN		PLN
Issued and fully paid				
Balance at 1 January	1	4	1	4
Balance at 31 December	1	4	1	4

GOTHALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

17. Redeemable shares

	2017 Number of shares	2017 PLN	2016 Number of shares	2016 PLN
Authorised				
Redeemable shares of €1 each	<u>200.000</u>	<u>807.937</u>	200.000	807.937
Issued and fully paid		PLN		PLN
Balance at 1 January	<u>179.292</u>	<u>721.776</u>	179.292	721.776
Balance at 31 December	<u>179.292</u>	<u>721.776</u>	179.292	721.776
Balance at 31 December		<u>721.776</u>		<u>721.776</u>

18. Non-refundable advances

	2017 PLN	2016 PLN
Balance at 1 January	<u>2.936.372</u>	2.936.372
Balance at 31 December	<u>2.936.372</u>	<u>2.936.372</u>

The non refundable advances were made available to the Company by its two minority shareholders (Dimola Limited and Fokamil Limited, both registered in Cyprus) after these applied for strike off.

19. Deferred tax

Deferred tax is calculated in full on all temporary differences under the liability method using the applicable tax rates (Note 9). The applicable corporation tax rate in the case of tax losses is 12,5%.

The movement on the deferred taxation account is as follows:

Deferred tax liability

	Temporary tax differences PLN
Balance at 1 January 2016	5.442.640
Charged/(credited) to:	
Statement of profit or loss and other comprehensive income (Note 9)	<u>5.442.640</u>
Balance at 31 December 2016/ 1 January 2017	10.885.280
Charged/(credited) to:	
Statement of profit or loss and other comprehensive income (Note 9)	<u>5.442.640</u>
Balance at 31 December 2017	<u>16.327.920</u>

20. Trade and other payables

	2017 PLN	2016 PLN
Accruals	<u>16.697</u>	17.636
Other creditors	<u>50.854</u>	<u>76.577</u>
	<u>67.551</u>	<u>94.213</u>

GOTHALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 2017

21. Refundable taxes

	2017	2016
	PLN	PLN
Corporation tax	(578.383)	(609.890)
Special contribution for defence	250	250
Overseas tax	<u>262.861</u>	<u>176.625</u>
	<u>(315.272)</u>	<u>(433.015)</u>

22. Related party transactions

The company is controlled by LPP S.A., a Polish company listed on the Warsaw Stock Exchange which owns 100% of the Company's shares.

The following transactions were carried out with related parties:

22.1 Licensing of trademarks

	2017	2016
	PLN	PLN
LPP S.A.	<u>238.756.789</u>	<u>199.108.158</u>
	<u>238.756.789</u>	<u>199.108.158</u>

Sales to the associated undertakings and to Parent Holding Limited were made at cost.

22.2 Receivables from related parties (Note 14)

Name	Nature of transactions	2017	2016
		PLN	PLN
LPP S.A.	Trade	35.807.526	39.521.581
IP Manageemnt Services Ltd	Trade	<u>91.638</u>	<u>110.088</u>
		<u>35.899.164</u>	<u>39.631.669</u>

22.3 Shareholders' current accounts - debit balances (Note 14)

	2017	2016
	PLN	PLN
LPP S.A. (shareholder)	<u>4</u>	<u>4</u>
	<u>4</u>	<u>4</u>

The shareholders' current accounts are interest free, and have no specified repayment date

23. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2017.

24. Commitments

The Company had no capital or other commitments as at 31 December 2017.

25. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

GOTHALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 December 2017

Independent auditor's report on pages 4 to 6

GOTHALS LIMITED

DETAILED INCOME STATEMENT

31 December 2017

	Page	2017 PLN	2016 PLN
Revenue			
License fee income		240.946.344	202.311.052
Operating expenses			
Administration expenses	28	<u>(475.298)</u>	<u>(366.518)</u>
		240.471.046	201.944.534
Other operating expenses			
Amounts written off		-	(652)
Loss from sales of financial assets at fair value through profit or loss		<u>-</u>	<u>(166.698)</u>
Operating profit		240.471.046	201.777.184
Finance income	29	4.237	429.793
Finance costs	29	<u>(640.407)</u>	<u>(38.895)</u>
Net profit for the year before tax		<u>239.834.876</u>	<u>202.168.082</u>

GOTHALS LIMITED

SELLING AND DISTRIBUTION EXPENSES

31 December 2017

	2017 PLN	2016 PLN
Administration expenses		
Municipality taxes	739	780
Annual levy	1.477	1.488
Sundry expenses	-	42
Courier expenses	1.128	1.666
Stationery and printing	-	123
Certification and legalisation expenses	2.620	7.576
Auditors' remuneration	33.881	34.758
Accounting fees	186.471	221.172
Other professional fees	43.492	14.026
Irrecoverable VAT	1.174	-
Trademark fee expenses	204.316	84.887
	475.298	366.518

GOTHALS LIMITED

FINANCE INCOME/COST

31 December 2017

	2017 PLN	2016 PLN
Finance income		
Other interest income	293	5
Unrealised foreign exchange profit	<u>3.944</u>	<u>429.788</u>
	<u>4.237</u>	<u>429.793</u>
 Finance costs		
Interest expense		
Interest on taxes	1.357	-
Sundry finance expenses		
Bank charges	9.253	17.859
 Net foreign exchange losses		
Realised foreign exchange loss	299.993	21.036
Unrealised foreign exchange loss	<u>329.804</u>	<u>-</u>
	<u>640.407</u>	<u>38.895</u>

