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**GOTHALS LIMITED**

REPORT AND FINANCIAL STATEMENTS  
31 December 2018

# GOTHALS LIMITED

## REPORT AND FINANCIAL STATEMENTS

31 December 2018

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# GOTHALS LIMITED

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## BOARD OF DIRECTORS AND OTHER OFFICERS

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

# GOTHALS LIMITED

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## MANAGEMENT REPORT

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2018.

### **Principal activities and nature of operations of the Company**

The principal activities of the Company, which are unchanged from last year, 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 2018 the Board of Directors approved the payment of interim dividends for the total amount of PLN277.682.219 (2017: PLN241.498.146).

### **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 2018 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 2018.

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 24 to the financial statements.

### **Related party transactions**

Disclosed in note 21 of the financial statements.

# GOTHALS LIMITED

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## 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, 14 February 2019

**KPSA**

P.O.Box 27040

1641 Nicosia

Cyprus

15 Themistokli Dervi street, 1<sup>st</sup> floor

1066 Nicosia

Cyprus

Telephone: +357 22 445500

Telefax: +357 22 672000

Internet: [www.kpsa.com.cy](http://www.kpsa.com.cy)**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 2018 and 2017, 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 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 2018 and 2017, 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.

In respect of the part of the balance of trade debtors of the Company presented in the statement of financial position at the value of PLN 2.385.872,07, we have not been able to confirm the accuracy of the balances because the closing confirmations received from the debtors were different in the total amount of PLN 136.429,57 and no explanations for the differences could be provided or any adjustments were made to reconcile them. Therefore, we were unable to obtain sufficient and appropriate audit evidence as to the accuracy of the Company's trade debtors.

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, 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 scepticism 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.

#### **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.

## **Independent Auditor's Report (continued)**

### **To the Members of Gothals Limited**

#### **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, 14 February 2019

## GOTHALS LIMITED

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 31 December 2018

	Note	2018 PLN	2017 PLN
<b>Revenue</b>	5	<b>273.723.046</b>	240.946.344
Administration expenses		(358.962)	(475.298)
Other expenses	6	<u>(3.000.000)</u>	<u>18</u>
<b>Operating profit</b>	7	<b>270.364.084</b>	240.471.046
Finance income	8	<b>133.539</b>	4.237
Finance costs	8	<u>(7.952)</u>	<u>(640.407)</u>
<b>Profit before tax</b>		<b>270.489.671</b>	239.834.876
Tax	9	<u>(9.769.429)</u>	<u>(5.652.658)</u>
<b>Net profit for the year</b>		<b>260.720.242</b>	234.182.218
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u><b>260.720.242</b></u>	<u>234.182.218</u>

The notes on pages 12 to 24 form an integral part of these financial statements.

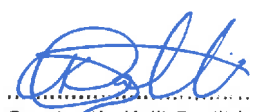
# GOTHALS LIMITED

## STATEMENT OF FINANCIAL POSITION

31 December 2018

	Note	2018 PLN	2017 PLN
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	11	<b>4.354.112.000</b>	4.354.112.000
Investments in subsidiaries	12	-	3.000.000
		<b>4.354.112.000</b>	4.357.112.000
<b>Current assets</b>			
Trade and other receivables	13	<b>32.155.042</b>	38.340.516
Refundable taxes	20	-	578.383
Cash at bank and in hand	14	<b>2.430.193</b>	439.684
		<b>34.585.235</b>	39.358.583
<b>Total assets</b>		<b>4.388.697.235</b>	4.396.470.583
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	15	4	4
Share premium		<b>1.067.845.229</b>	1.067.845.229
Redeemable shares	16	<b>721.776</b>	721.776
Other reserves		<b>2.936.372</b>	2.936.372
Retained earnings		<b>3.291.346.643</b>	3.308.308.620
<b>Total equity</b>		<b>4.362.850.024</b>	4.379.812.001
<b>Non-current liabilities</b>			
Deferred tax liabilities	18	<b>21.770.560</b>	16.327.920
		<b>21.770.560</b>	16.327.920
<b>Current liabilities</b>			
Trade and other payables	19	<b>85.441</b>	67.551
Current tax liabilities	20	<b>3.991.210</b>	263.111
		<b>4.076.651</b>	330.662
<b>Total liabilities</b>		<b>25.847.211</b>	16.658.582
<b>Total equity and liabilities</b>		<b>4.388.697.235</b>	4.396.470.583

On 14 February 2019 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 24 form an integral part of these financial statements.

# GOTHALS LIMITED

## STATEMENT OF CHANGES IN EQUITY 31 December 2018

	Note	Share capital PLN	Redeemable shares PLN	Share premium PLN	Non-refundable advances PLN	Retained earnings PLN	Total PLN
<b>Balance at 1 January 2017</b>	4	721.776.067.845.229	2.936.372	3.315.624.548	4.387.127.929		
<b>Comprehensive income</b>							
Net profit for the year		-	-	-	-	234.182.218	234.182.218
<b>Transactions with owners</b>							
Dividends	10	-	-	-	-	(241.498.146)	(241.498.146)
Total transactions with owners		-	-	-	-	(241.498.146)	(241.498.146)
<b>Balance at 31 December 2017 / 1 January 2018</b>	4	721.776.067.845.229	2.936.372	3.308.308.620	4.379.812.001		
<b>Comprehensive income</b>							
Net profit for the year		-	-	-	-	260.720.242	260.720.242
<b>Transactions with owners</b>							
Dividends	10	-	-	-	-	(277.682.219)	(277.682.219)
Total transactions with owners		-	-	-	-	(277.682.219)	(277.682.219)
<b>Balance at 31 December 2018</b>	4	721.776.067.845.229	2.936.372	3.291.346.643	4.362.850.024		

Share premium is not available for distribution.

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

The notes on pages 12 to 24 form an integral part of these financial statements.

## **GOTHALS LIMITED**

### **STATEMENT OF CHANGES IN EQUITY**

31 December 2018

special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 12 to 24 form an integral part of these financial statements.

# GOTHALS LIMITED

## CASH FLOW STATEMENT

31 December 2018

	Note	2018 PLN	2017 PLN
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before tax</b>		<b>270.489.671</b>	239.834.876
Adjustments for:			
Unrealised exchange (profit)/loss		(11.056)	325.860
Impairment charge - investments in subsidiaries	12	3.000.000	-
Interest income	8	(573)	(293)
Interest expense	8	14	1.357
		<b>273.478.056</b>	240.161.800
<b>Changes in working capital:</b>			
Decrease in trade and other receivables		6.185.474	3.380.340
Increase/(Decrease) in trade and other payables		17.890	(26.662)
<b>Cash generated from operations</b>		<b>279.681.420</b>	243.515.478
Tax paid		(20.307)	(92.275)
<b>Net cash generated from operating activities</b>		<b>279.661.113</b>	243.423.203
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for purchase of investments in subsidiaries	12	-	(3.000.000)
Interest received		573	293
<b>Net cash generated from/(used in) investing activities</b>		<b>573</b>	(2.999.707)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Unrealised exchange profit/(loss)		11.056	(325.860)
Interest paid		(14)	(1.357)
Dividends paid		(277.682.219)	(241.498.146)
<b>Net cash used in financing activities</b>		<b>(277.671.177)</b>	(241.825.363)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1.990.509</b>	(1.401.867)
Cash and cash equivalents at beginning of the year		439.684	1.841.551
<b>Cash and cash equivalents at end of the year</b>	14	<b>2.430.193</b>	439.684

The notes on pages 12 to 24 form an integral part of these financial statements.

# **GOTHALS LIMITED**

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## **NOTES TO THE FINANCIAL STATEMENTS**

31 December 2018

### **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, which are unchanged from last year, 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**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap. 113.

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 2018. 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.

# GOTHALS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 2. Significant accounting policies (continued)

#### 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**

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

- **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 Polish Zloty (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.

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 2. Significant accounting policies (continued)

#### 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.

#### 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).

# GOTHALS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 2. Significant accounting policies (continued)

#### 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.

##### 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.

##### 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.

##### 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.

# GOTHALS LIMITED

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## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 2. Significant accounting policies (continued)

#### 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.

#### 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 29.511.914,87 out of the total amount of trade receivables carrying amount as at 31 December 2017 being PLN 35.807.525,99.

#### 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.

# GOTHALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 3. Financial risk management (continued)

#### 3.3 Liquidity risk (continued)

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.

<b>31 December 2018</b>	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	68.257	68.257	68.257	-	-	-	-
	<b>68.257</b>	<b>68.257</b>	<b>68.257</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>31 December 2017</b>	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	-	-	-	-
	<b>50.854</b>	<b>50.854</b>	<b>50.854</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 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 and US Dollar. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

#### 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, judgments and assumptions

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.

# GOTHALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 4. Critical accounting estimates, judgments and assumptions (continued)

#### *Critical accounting estimates and assumptions*

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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.

#### *Critical judgements in applying the Company's accounting policies*

- **Impairment of investments in subsidiaries**

The Company periodically evaluates the recoverability of investments in subsidiaries whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in subsidiaries may be impaired, the estimated future discounted cash flows associated with these subsidiaries would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

- **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

	2018 PLN	2017 PLN
License fee income	<u>273.723.046</u>	240.946.344
	<u>273.723.046</u>	<u>240.946.344</u>

# GOTHALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 6. Other expenses

	2018 PLN	2017 PLN
Impairment charge – investments in subsidiaries	3.000.000	-
	<u>3.000.000</u>	<u>-</u>

### 7. Operating profit

	2018 PLN	2017 PLN
Operating profit is stated after charging the following items:		
Auditors' remuneration	44.780	33.881
	<u>44.780</u>	<u>33.881</u>

### 8. Finance income/(costs)

	2018 PLN	2017 PLN
Interest income	573	293
Exchange profit	132.966	3.944
<b>Finance income</b>	<u>133.539</u>	<u>4.237</u>
Net foreign exchange losses	-	(629.797)
Interest expense	14	(1.357)
Sundry finance expenses	(7.966)	(9.253)
<b>Finance costs</b>	<u>(7.952)</u>	<u>(640.407)</u>
<b>Net finance income/(cost)</b>	<u>125.587</u>	<u>(636.170)</u>

### 9. Tax

#### 9.1 Tax recognised in profit or loss

	2018 PLN	2017 PLN
Corporation tax – current year	3.671.791	-
Corporation tax – prior years	377.139	-
Overseas tax	277.859	210.018
Deferred tax – charge (Note 18)	5.442.640	5.442.640
<b>Charge for the year</b>	<u>9.769.429</u>	<u>5.652.658</u>

## GOTHALS LIMITED

### NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

#### 9. Tax (continued)

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

	2018 PLN	2017 PLN
Profit before tax	<u>270.489.671</u>	<u>239.834.876</u>
Tax calculated at the applicable tax rates	33.811.209	29.979.360
Tax effect of expenses not deductible for tax purposes	375.182	82.892
Tax effect of allowances and income not subject to tax	(27.229.892)	(27.213.693)
Tax effect of tax losses brought forward	(3.612.233)	(2.848.559)
10% additional charge	333.799	-
Deferred tax	5.442.640	5.442.640
Prior year tax	377.139	-
Overseas tax in excess of credit claim used during the year	<u>271.585</u>	<u>210.018</u>
<b>Tax charge</b>	<u><b>9.769.429</b></u>	<u><b>5.652.658</b></u>

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. 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%.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

#### 10. Dividends

	2018 PLN	2017 PLN
Interim dividend paid	<u>277.682.219</u>	<u>241.498.146</u>
	<u><b>277.682.219</b></u>	<u><b>241.498.146</b></u>

During 2018 the Board of Directors approved the payment of interim dividends for the total amount of PLN277.682.219 (2017: PLN241.498.146).

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 2018

### 11. Intangible assets

	Patents and trademarks PLN
<b>Cost</b>	
Balance at 1 January 2017	<u>4.354.112.000</u>
<b>Balance at 31 December 2017/ 1 January 2018</b>	<b><u>4.354.112.000</u></b>
<b>Balance at 31 December 2018</b>	<b><u>4.354.112.000</u></b>
<b>Net book amount</b>	
<b>Balance at 31 December 2018</b>	<b><u>4.354.112.000</u></b>
<b>Balance at 31 December 2017</b>	<b><u>4.354.112.000</u></b>

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

	2018 PLN	2017 PLN
Balance at 1 January	3.000.000	-
Additions	-	3.000.000
Impairment charge	<u>(3.000.000)</u>	-
<b>Balance at 31 December</b>	<b><u>-</u></b>	<b><u>3.000.000</u></b>

The details of the liquidated subsidiaries are as follows:

Name	Country of incorporation	Principal activities	2018 Holding %	2017 Holding %	2018 PLN	2017 PLN
P&L Marketing & Advertising Agency S.A.L.	Lebanon	Marketing and advertising	97,315	97,315	-	3.000.000
					<u>-</u>	<u>3.000.000</u>

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).

During the year 2018, an informal decision was taken to liquidate the company. No distribution of any type of assets is expected given the net liability position, therefore the cost of the subsidiary company was fully impaired.

The subsidiary has not yet been liquidated.

# GOTHALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 13. Trade and other receivables

	2018 PLN	2017 PLN
Trade receivables	2.522.782	2.381.661
Receivables from associates (Note 21.2)	29.610.565	35.899.164
Shareholders' current accounts - debit balances (Note 21.3)	4	4
Refundable VAT	21.691	59.687
	<b>32.155.042</b>	<b>38.340.516</b>

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.

### 14. Cash at bank and in hand

	2018 PLN	2017 PLN
Cash at bank and in hand	2.430.193	439.684
	<b>2.430.193</b>	<b>439.684</b>

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

	2018 PLN	2017 PLN
Cash at bank and in hand	2.430.193	439.684
	<b>2.430.193</b>	<b>439.684</b>

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.

### 15. Share capital

	2018 Number of shares	2018 PLN	2017 Number of shares	2017 PLN
<b>Authorised</b>				
Ordinary shares of €1 each	2.001	7.912	2.001	7.912
		PLN		PLN
<b>Issued and fully paid</b>				
Balance at 1 January	1	4	1	4
<b>Balance at 31 December</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>4</b>

# GOTHALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 16. Redeemable shares

	2018 Number of shares	2018 PLN	2017 Number of shares	2017 PLN
<b>Authorised</b>				
Redeemable shares of €1 each	<u>200.000</u>	<u>807.937</u>	<u>200.000</u>	<u>807.937</u>
		PLN		PLN
<b>Issued and fully paid</b>				
Balance at 1 January	<u>179.292</u>	<u>721.776</u>	<u>179.292</u>	<u>721.776</u>
<b>Balance at 31 December</b>	<u>179.292</u>	<u>721.776</u>	<u>179.292</u>	<u>721.776</u>
<b>Balance at 31 December</b>		<u>721.776</u>		<u>721.776</u>

### 17. Non-refundable advances

	2018 PLN	2017 PLN
Balance at 1 January	<u>2.936.372</u>	<u>2.936.372</u>
<b>Balance at 31 December</b>	<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.

### 18. 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 2017	10.885.280
Charged/(credited) to:	
Statement of profit or loss and other comprehensive income (Note 9)	<u>5.442.640</u>
<b>Balance at 31 December 2017/ 1 January 2018</b>	<b>16.327.920</b>
Charged/(credited) to:	
Statement of profit or loss and other comprehensive income (Note 9)	<u>5.442.640</u>
<b>Balance at 31 December 2018</b>	<b><u>21.770.560</u></b>

### 19. Trade and other payables

	2018 PLN	2017 PLN
Accruals	<u>17.184</u>	<u>16.697</u>
Other creditors	<u>68.257</u>	<u>50.854</u>
	<u>85.441</u>	<u>67.551</u>

# GOTHALS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

### 20. Current tax liabilities/(current tax assets)

	2018 PLN	2017 PLN
Corporation tax	3.453.653	(578.383)
Special contribution for defence	250	250
Overseas tax	537.307	262.861
	<u>3.991.210</u>	<u>(315.272)</u>

### 21. 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:

#### 21.1 Licensing of trademarks

	2018 PLN	2017 PLN
LPP S.A.	<u>271.518.037</u>	<u>238.756.789</u>
	<u>271.518.037</u>	<u>238.756.789</u>

#### 21.2 Receivables from related parties (Note 13)

Name	Nature of transactions	2018 PLN	2017 PLN
LPP S.A.	Trade	29.511.915	35.807.526
IP Management Services Ltd	Trade	98.650	91.638
		<u>29.610.565</u>	<u>35.899.164</u>

#### 21.3 Shareholders' current accounts - debit balances (Note 13)

	2018 PLN	2017 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

### 22. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2018.

### 23. Commitments

The Company had no capital or other commitments as at 31 December 2018.

### 24. 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.

Independent auditor's report on pages 4 to 6

## GOTHALS LIMITED

### DETAILED INCOME STATEMENT

31 December 2018

	Page	2018 PLN	2017 PLN
<b>Revenue</b>			
License fee income		<b>273.723.046</b>	240.946.344
<b>Operating expenses</b>			
Administration expenses	26	<u><b>(358.962)</b></u>	<u>(475.298)</u>
		<b>273.364.084</b>	240.471.046
<b>Other operating expenses</b>			
Impairment charge - investments in subsidiaries		<u><b>(3.000.000)</b></u>	-
<b>Operating profit</b>		<b>270.364.084</b>	240.471.046
Finance income	27	<b>133.539</b>	4.237
Finance costs	27	<u><b>(7.952)</b></u>	<u>(640.407)</u>
<b>Net profit for the year before tax</b>		<u><b>270.489.671</b></u>	<u>239.834.876</u>

## GOTHALS LIMITED

### SELLING AND DISTRIBUTION EXPENSES

31 December 2018

	2018 PLN	2017 PLN
<b>Administration expenses</b>		
Municipality taxes	760	739
Annual levy	1.472	1.477
Courier expenses	1.115	1.128
Certification and legalisation expenses	1.732	2.620
Auditors' remuneration	44.780	33.881
Accounting fees	226.471	186.471
Other professional fees	14.441	43.492
Irrecoverable VAT	-	1.174
Trademark fee expenses	68.191	204.316
	<b>358.962</b>	<b>475.298</b>

## GOTHALS LIMITED

### FINANCE INCOME/COST

31 December 2018

	2018 PLN	2017 PLN
<b>Finance income</b>		
Other interest income	573	293
Realised foreign exchange profit	121.910	-
Unrealised foreign exchange profit	11.056	3.944
	<u>133.539</u>	<u>4.237</u>
 <b>Finance costs</b>		
<b>Interest expense</b>		
Interest on taxes	(14)	1.357
<b>Sundry finance expenses</b>		
Bank charges	7.966	9.253
<b>Net foreign exchange losses</b>		
Realised foreign exchange loss	-	299.993
Unrealised foreign exchange loss	-	329.804
	<u>7.952</u>	<u>640.407</u>

