

ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR 2013
OF
SARANTIS BULGARIA LTD.

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ANNUAL REPORT OF BULGARIA Ltd Sarantis.

For the Year ended 31.12.2013

This report of the Sarantis Bulgaria Ltd covers the period from 01.01.2013 to 31.12.2013 and is in accordance with Art. 33 of the Act of Accounting and Art. 247 of the Commercial Code.

1. Company Info:

"Sarantis Bulgaria" Ltd. is a single limited liability company registered in the Commercial Register of the City Court in a judgment of 05.07.1994 years in act 13376 / in Volume 223, p.92, lot 17912.

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

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

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

2. Financial condition.

2.1 Summarized financial information of the annual financial statements as of 31/12/2013

• Income from sales	21 587 thousand leva;
• Gross profit before taxation	2 793 thousand leva;
• Net profit for the period	2 506 thousand leva;
• Sum of Assets	9 553 thousand leva;
• Share capital	4 756 thousand leva.

The Total as of 31.12.2013 of the Non-current assets of the company are 602 thousand leva, including equipment, vehicles and other tangible assets, and assets under construction of 555 thousand leva, and deferred tax assets in the amount of 47 thousand leva. The Company does not own any real property and buildings and primarily uses buildings and warehouse spaces on rent.

2.2. Financial instruments and financial risk exposures:

In the reporting 2013 Sarantis Bulgaria Ltd has not used for its business banking and bond loans, also has not received external subsidies and funding for their projects and does not hold in possession securities.

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

Cash flows generated wounds in 2013 were enough in volume not only to finance current operations, but also for the payment of dividends.

The credit risk of the company in 2013 comes mainly from receivables from customers, where the exposure to this risk is due to the individual characteristics of each customer. This exposure depends mostly on the condition of intercompany indebtedness on the domestic market, which the company operates.

The maximum credit exposure of the company at 31.12.2013 is the Book value of its Financial Assets.

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

3. Managing the equity:

3.1. Amount of Registered capital and changes:

In the reporting 2013 there was no change in the amount of registered capital.

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

The Company has no direct or indirect interest in another company.

During 2013 the company operates through offices and warehouse sites in Sofia, Varna, Plovdiv and Pleven.

In 2013 carrying loans to related parties were not been assigned.

3.3. Policy of the company:

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

For the reporting 2013 the company is not subject to specific capital requirements imposed by contract or regulatory framework.

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

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

5. Forecast for the future development of the company:

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

6. Actions on Research & Development activities:

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

7. Liability of the Management:

Under the Bulgarian law the management has to prepare a report on the activities and financial statements for each financial year which has to give a true and fair view of the financial position of the company at the end of the year, its financial performance and cash flows in accordance with applicable accounting framework. The company is applying for the Purpose of reporting the International Financial Reporting Standards (IFRS), applicable in the European Union.

Management confirms that it has acted in accordance with their responsibility and*the financial statements for 2013 have been prepared in accordance with International Financial Reporting Standards adopted by the European Union.

The management also confirms that in the preparation of this report have been presented a true and fair development and results of the company for the past period and its state and the main facing risks.

Sofia
05.02.2014

Manager:

/ Nenad Marinkovic /

*ANNUAL FINANCIAL STATEMENTS
OF
"SARANTIS BULGARIA" Ltd.
for the period from 1 January to 31 December 2013 year*

STATEMENT OF FINANCIAL POSITION OF SARANTIS BULGARIA LTD. AS OF DECEMBER 31, 2013

	31/12/2013	31/12/2012
	('000 BGN)	('000 BGN)
ASSETS		
NON-CURRENT ASSETS		
Equipment, transportation means and other assets	96	107
Assets under construction	459	
Deferred tax asstes	47	81
TOTAL NON-CURRENT ASSETS	602	188
CURRENT ASSETS		
Inventories	2 105	2 006
Trade and other receivables	6 324	8 267
Cash	522	2 338
TOTAL CURRENT ASSETS	8 951	12 611
TOTAL ASSETS	9 553	12 799
EQUITY		
Authorised capital	4 756	4 756
Reserves	1	1
Profit carried forward	2 506	1 710
TOTAL EQUITY	7 263	6 467
LIABILITIES		
SHORT-TERM LIABILITIES		
Trade and other liabilities	1 865	5 977
Net current tax liabilities	307	229
Provisions	118	126
TOTAL SHORT-TERM LIABILITIES	2 290	6 332
TOTAL EQUITY AND LIABILITIES	9 553	12 799

Prepared by:


(Deana Stefanova)

General Manager:


(Nenad Marinkovic)

Date: 31.01.2014

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

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
OF SARANTIS BULGARIA LTD. FOR THE PERIOD FROM 1 JANUARY TO 31
DECEMBER 2013**

	2013	2012
	('000 BGN)	('000 BGN)
Revenue	21 587	20 697
Cost of sales	(10 172)	(9 908)
Work performed by the entity and capitalised	154	
Expenses for materials	(1 172)	(1 325)
Expenses for external services	(5 517)	(5 443)
Expenses for personnel	(2 145)	(2 176)
Depreciation expenses	(36)	(76)
Other operating income	535	308
Other operating expenses	(499)	(256)
Operating profit	2 735	1 821
Net financial income	58	79
Profit before taxes	2 793	1 900
Income tax expense	(287)	(190)
Profit for the year after tax	<u>2 506</u>	<u>1 710</u>
Total comprehensive income for the year	2 506	1 710

Prepared by:

(Deana Stefanova)

General Manager:

(Nenad Marinkovic)



Date: 31.01.2014

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

**STATEMENT OF CHANGES IN EQUITY OF "SARANTIS BULGARIA" LTD.
TO 12/31/2013**

All amounts are in thousand levs

	Main capital	Other reserves	Retained profit	Total shareholders capital
Balance at 01.01.2012.	10 624	1	1 748	12 373
Changes in equity for 2012.:				
Net profit for the period			1 710	1 710
Dividend			(1 748)	(1 748)
Decrease of the registered capital	(5 868)			(5 868)
Balance at 31.12.2012.	4 756	1	1 710	6 467
Changes in equity for 2013.:				
Net profit for the period			2 506	2 506
Dividend			(1 710)	(1 710)
Balance 31.12.2013.	4 756	1	2 506	7 263

Prepared by:

/ Deana Stefanova /

Manager:

/ Nenad Marinkovic /



31/01/2014

Sofia

Report alteration of equity should be read in conjunction with the notes to and forming part of the Annual financial statements.

**CASH FLOWS REPORT OF "SARANTIS BULGARIA" LTD.
FOR THE PERIOD ENDED ON 31/12/2013**

	Amount (thousand levs)	Amount (thousand levs)
	2013	2012
Cash flows from operating activities		
Incomes from contractors	23 850	22 912
Payments to suppliers	(14 497)	(17 231)
Payments to employees and social security institutions	(1 752)	(1 932)
Paid taxes (except income taxes)	(2 902)	(2 903)
Income taxes paid	(189)	(238)
Fees and commissions	(14)	(11)
Other incomes/payments from operating activities		
Net cash from operating activities	4 496	597
Cash flows from investment activities		
Incomes from sale of plant and equipment	23	15
Purchase of machinery and equipment	(405)	(25)
Incomes from interest	76	94
Net cash from investing activities	(306)	84
Cash flows from financing activities		
Payments of dividends	(1 710)	(1 748)
Payments for reduction of registered capital	(4 303)	(1 565)
Net cash from financing activities	(6 013)	(3 313)
Net change in cash	(1 823)	(2 632)
Cash at beginning of period	2 345	4 977
Cash at end of period	522	2 345
including in the accountable personnel		7

Prepared by:

/ Deana Stefanova /

Manager:

/ Nenad Marinkovic /



On 31/01/2014
Sofia

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

INDEPENDENT AUDITOR'S REPORT

To: The Shareholder of

Sarantis Bulgaria Ltd.

Report on the Financial Statement

We have audited the accompanying financial statement of Sarantis Bulgaria Ltd. as at December 31, 2013, which comprise the statement of financial position as at December 31, 2013, and the statement of profit and loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement presents fairly, in all material respects, the financial position of Sarantis Bulgaria Ltd. as at December 31, 2013, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

We confirm that the information presented in the annual activity management report is consistent with the data of the financial statement and complete in the context of the requirements of the Commercial Law in Bulgaria and the Accounting Law.

Auditor:

/ Ivan Dochev /

Date: 2014

Address: Sofia, Lyuben Karavelov Str. 59

1. Explanatory note to the financial statements:

1.1. Legal Status

"Sarantis Bulgaria" Ltd. is a Joint Limited Liability company, entered in the Commercial Register of the City Court in a Judgment of 5.7.1994 on fd13376 / in Volume 223, p.92, lot 17912. The owner of the company is a legal entity "GR. SARANTIS CYPRUS' LIMITED - Cyprus. Headquarters and Registered Office of the company is Sofia, Botevgradsko shose 247, 4th floor.

1.2. Scope of activity

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

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

2. Basis of preparation of the financial statements:

2.1. Accordance

The present individual financial statement have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) , as well as interpretations on them, issued by the Committee for interpretations on International Financial Reporting Interpretations Committee (IFRIC) of the IASB adopted by the European Commission.

2.2. Basis of preparation

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

The financial statement has been prepared in accordance with the historical cost convention.

The methods used for disclosing fair values are discussed in detail in the notes.

2.3. Approval

Financial statements prepared for the year ended 31 December 2013, was approved by Management of the company on 05.02.2014.

2.4. Period

The present financial statement covers the period from 1 January 2013 to 31 December 2013.

2.5. Functional currency and presentation currency

The Financial statements are Presented in Bulgarian leva, which is the functional currency of the Company. The financial information contained in the Annual financial statements is presented in thousand leva.

2.6. Estimates and Assumptions by the Management

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

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

The management of the company has complied with all standards and clarifications that are applicable to its operations and are officially adopted for use by the European Union on the date of preparation of these financial statements.

3. Significant accounting policies:

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

3.1 Transactions in foreign currencies

The operations of foreign currencies are translated into the functional currency at the official exchange rate applicable at the date of the transaction. Gains and losses from exchange rate differences resulting from the settlement of transactions and such from the translation of monetary items in foreign currencies at the end of the period are recognized in the Income statement.

3.2 Property, plant and equipment

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

When plant and equipment comprises of major components having different useful lives, they are accounted for as separate assets.

Subsequent measurement is made on the basis of cost, less accumulated depreciation and impairment losses.

Subsequent expenditure relating to specific fixed asset is capitalized in the asset only when it is probable that future economic benefits in excess of the assessed originally performance of the existing asset. All other subsequent expenditure is as an expense recognized in the period in which are they incurred.

Depreciation of tangible assets durability is calculated in the Report of comprehensive income using the straight-line method over the expected useful lives of assets as follows:

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

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

3.3 Intangible Assets

For intangible assets acquired by the company only expenses are capitalized, which are expected to increase in future the economic benefits or that have the character of a single significant asset. Licenses of software products and software are expected not to increase substantially the future economic benefits of investments and therefore not capitalized. On the applicable accounting criteria these expenses are recognized as incurred. The company defines as separate comprehensive asset the intangible asset in construction which is ERP system SAP and connected peripheral systems.

Intangible assets are stated at cost less accumulated depreciation and impairment losses.

Expenses associated with the maintenance of intangible assets are capitalized only when they are likely to increase the economic future benefits embodied in the asset and such costs when can be properly evaluated and attributed to the asset. All other expenses are recognized as current when they are booked.

3.4 Leased Assets

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

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

3.5 Inventories

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

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

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

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

On sale of inventories, their balance amount is recognized as an expense in the period in which the related revenue is recognized.

3.6 Financial Assets

Financial assets other than hedging tools include the following categories of financial instruments:

- * Loans and receivables;
- * Financial assets at fair value through profit or loss;

Financial assets are divided into different categories depending on the purpose for which they were acquired. The category of a Financial Instrument determines his method of evaluation.

Upon initial recognition, financial assets are measured at fair are value. Transaction costs that can be directly attributable to the issue or acquisition of financial assets relate to the value of financial assets, except for financial assets reported at fair value through profit or loss.

Writing-off of financial instruments occurs after evaluation by the company for any specific circumstances, including the loss of control over the contractual rights that comprise the financial asset or has transferred a significant portion of the risks and rewards of ownership. Devaluation testing is performed at each date of the statement of financial position in order to determine whether there is objective evidence of devaluation of a financial asset.

Loans and receivables are non-derivative financial assets with fixed payments that are not quoted in an active market. Trade and other receivables fall into this category of financial instruments. Receivables subsequently are measured at amortized cost where any change in value is recognized in the Comprehensive income statement. Receivables are tested for devaluation separately, when they are overdue or when there is objective evidence that the counterparty will not fulfill its obligations. Rate of the depreciation is based on historical data on outstanding obligations of specific contractors or contractors of any similar group identified.

3.7 Cash and Cash equivalents

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

3.8 Amounts owed to employees

The company considers short-term compensated absences liabilities arising on the basis of unused annual leave in cases when they are expected to occur within one year after the date of the reporting period in which the employees performed the work, associated with these holidays. Short term dues to the personnel include payables for wages and social security. The company has not developed and has not implemented plans for employee post-employment or other long-term liabilities.

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

3.9 Financial liabilities

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

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

Trade payables are recognized initially at their nominal value and are subsequently measured at amortized cost less settlement payments required.

Dividends paid to owners of the company are recognized when approved by the General assembly of the owner.

3.10 Provisions, contingent liabilities and contingent assets

Provisions are recognized when it is probability present obligations resulting from past events to lead to an outflow of resources from the company and can be made reliable estimate of the amount of the obligation. Present obligation arises from the presence of a legal or constructive obligation as a result of past events, such as guarantees, litigation and onerous contracts.

The amount recognized as a provision is calculated based on the most reliable estimate of the expenditure required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties, including those related to current debt. Provisions are discounted when the effect of the time value of money is significant. In cases where it cannot be made reliable estimate of the amount of the obligation, it is disclosed as a potential liability. The company does not recognize their contingent assets recognition since it may result in the recognition of income that may never be realized.

3.11 Income and Expenses

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

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

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

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

The gain or loss on disposal of an asset is determined as the difference of the proceeds and the balance sheet value of the asset and is recognized in the Income statement.

Operating expenses are recognized in the statement of comprehensive income upon utilization of the service or the date of their occurrence.

3.12 Financial expenses and income

Finance income includes interest income on funds invested in bank deposits and gains from foreign currency transactions. Interest income is accounted for on an accrual basis.

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

3.13 Duties on Income

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

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

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

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

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

Deferred tax liabilities are recognized in their full size. Deferred tax assets are recognized only to the extent that they are likely to be offset taxable against future tax income. Deferred tax assets are reduced to the size of those for future benefits which is more likely to be realized.

Significant part of the changes in deferred tax assets or liabilities are recognized as tax expenses in the Comprehensive income statement. Changes in deferred tax assets or liabilities due to changes in the fair value of assets or liabilities that are recognized directly in equity are recognized directly in the equity.

4. Explanatory notes to the financial statements

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

4.1. Gross Income from sales in the Income statement amounted to 21 587 thousand leva and includes:

Revenue from Sale of Goods	21 546 Thousand levs;
Revenue from advertising services	22 Thousand levs;
Revenue from sale of fixed assets	19 Thousand levs.

4. 2. Other income:

In other business income total of 535 thousand levs for the year are reflected:

- ❖ Reintegration provision the AMOUNT of 126 thousand levs charged for annual unused leaves;
- ❖ Excess of commodity material goods amounting to 4 thousand levs;
- ❖ revenues from written off payables in the amount of 164 thousand levs;
- ❖ correction of provision for material goods of 238 thousand levs;
- ❖ Other in the amount of 3 thousand levs.

4.3. Cost of goods sold:

Cost of goods sold and other assets in the statement of income includes:

- ❖ Cost of goods sold in the country – 10 081 thousand levs;
- ❖ Cost of goods sold for export - 91 thousand levs.

4.4. Cost of materials:

Material costs for the year 2013 amount to 1 172 thousand levs and include:

- ❖ Fuels and lubricants - 221 thousand levs;
- ❖ Vehicle Parts - 10 thousand levs;
- ❖ Electricity and water - 25 thousand levs;
- ❖ Stationery and supplies - 39 thousand levs;
- ❖ Expenses in the nature of fixed assets - 5 thousand levs;
- ❖ Advertising materials - 871 thousand levs;
- ❖ Other Materials - 1 thousand levs.

4.5. Expenses for outside services:

Hired services 2013 years amounted to 5 517 Thousand levs and include:

- ❖ Rent - 716 thousand levs;
- ❖ Transport and courier services - 400 thousand levs;
- ❖ Software support - 27 thousand levs;
- ❖ Miscellaneous fees - 132 thousand levs;
- ❖ Advertising services - 2 124 thousand levs;
- ❖ Repair and maintenance of vehicles - 14 thousand levs;
- ❖ Insurance - 24 thousand levs;
- ❖ Security - 7 thousand levs;
- ❖ Telecommunication services and internet – 56 thousand levs;
- ❖ Repair and maintenance of office and office equipment - 34 thousand levs;
- ❖ Legal and consulting services - 182 thousand levs;
- ❖ Annual Bonuses – 1 754 thousand levs;
- ❖ Other external services - 47 thousand levs.

4.6. Expenses for the personnel:

The costs of short-term employee benefits in the total amount of 2 145 thousand levs include:

- ❖ Salaries - 1 854 thousand levs;
- ❖ Social security - 291 thousand levs.

4.7. Other Expenses:

These other expenses at the amount of 499 thousand levs include:

- ❖ Business trips - 38 thousand levs;
- ❖ Hospitality expenses – 21 thousand levs;
- ❖ Write-off of receivables from sales - 60 thousand levs;

- ❖ Missing inventory (incl. VAT) and write-off of damaged goods - 351 thousand levs;
- ❖ Penalties -24 thousand levs;
- ❖ Receivables written-off - 1 thousand levs;
- ❖ Local taxes and tax on expenses - 4 thousand levs.

4.8. Net financial income:

The net financial income for the reporting year totaling at 58 thousand levs and include:

- ❖ In decrease:
 - Negative exchange differences - 10 thousand levs;
 - Bank fees and commissions - 12 thousand levs.
- ❖ In increase:
 - Interest income 76 thousand levs;
 - Positive exchange differences – 4 thousand levs.

4.9. Non current assets:

All acquired and controlled by the company's tangible fixed assets are valued at cost and classified as depreciable, having in mind the limited duration of their practical use. Balance sheet value of fixed assets at 31.12.2013 is 96 thousand levs.

Fixed assets in thousand levs	Machinery, equipment and computers	Transport, with funds	Other fixed mater. Assets	Total
Cost				
Balance 01.01.2013	510	293	209	1012
Additions	25			25
Disposals	80	91	7	178
Balance 31.12.2013	455	202	202	859
Amortization				
Balance 01.01.2013	466	293	146	905
Depreciation charge for the year	26		10	36
Depreciation of assets written off	80	91	7	178
Balance 31.12.2013	412	202	149	763
Book value				
01.01.2013	44	0	63	107
31.12.2013	43	0	53	96

The company has as of 31.12.2013 intangible assets under construction at amount of 459 thousands leva, representing the ERP system SAP and linked peripheral systems.

4.10. Deferred tax assets:

Deferred tax assets were formed at the rate of corporation tax of 10% and are formed by the following temporary differences:

- ❖ Difference between accounting and tax balance sheet value of non-current assets - 151 thousand levs;

- ❖ Expenses on provisions for unused compensated annual leaves and social security on them - 118 thousand levs;
- ❖ Expenses for devaluation of receivables - 200 thousand levs.

4.11. Inventories:

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

Net realizable value of inventories at 31.12.2013 amounted to 2 105 thousand levs.

The company has no inventories pledged as guarantee.

4.12. Trade and other receivables.

Trade and other receivables amounted to 6 324 thousand levs as follows:

- ❖ Receivables from customers – 5 700 thousand levs;
- ❖ Advances paid to Suppliers – 50 thousand levs;
- ❖ Prepaid Expenses - 36 thousand levs;
- ❖ Guarantees - 77 thousand levs;
- ❖ Accountable Persons - 1 thousand levs;
- ❖ Receivables on court claims - 417 thousand levs;
- ❖ Overpaid Income tax - 43 thousand levs.

Receivables from customers

Short-term receivables in levs are measured at the nominal value of the receivables, less any devaluation losses for doubtful debts. Claims in foreign currency are valued at the closing exchange rate of Bulgarian National Bank (BNB) on 31.12.2013, less the value of any accumulated devaluation losses. Devaluation is calculated on an aging analysis of receivables from due date until 31.12.2013.

4.13. Cash:

Cash funds as of 31.12.2013 amounts to 522 thousand levs as follows:

- ❖ Cash in cash case - 49 thousand levs;
- ❖ Cash at bank - 24 thousand levs;
- ❖ Bank deposits - 449 thousand levs.

4.14. Trade and other payables:

Trade and other payables to 31.12.2013 are a total of 1 865 thousand levs and represent:

- ❖ Liabilities to suppliers 1 865 thousand levs;

4.15. Net current taxes:

Net current tax liabilities amounted to 307 thousand levs and represent:

- ❖ Amounts owed on VAT - 236 thousand levs;
- ❖ Liabilities on Corporate tax – 64 thousand levs;
- ❖ Other liabilities to the fisc – 7 thousand levs.

4.16. Registered capital and retained earnings:

The capital structure of the Company is as follows:

Components of equity	<i>(in thousand levs)</i>	
		Amount
Registered capital		4 756
Additional capital		1
Net profit for the period		2 506
Total equity		<u>7 263</u>

4.17. Profit tax rates:

The Company is subject to taxation. The corporate income tax is calculated at the rate of 10% applied to the tax base. Advance payments made for the year amounted to 189 thousand levs and difference so for reimbursement is up to 64 thousand levs.

(In thousand levs)

Corporate tax in the income statement:

Tax at the applicable tax rate of 31.12.2013	279
Tax effect of temporary differences (net)	<u>8</u>
Income tax on the profit	287

4.18. Provisions

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

- The cost of accumulating compensated absences - 100 thousand levs;
- Insurance on these amounts - 18 thousand levs.

4. 19. Events after the financial statement date:

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

Manager:

/ Nenad Marinkovic /

Prepared by:

/ Deana Stefanova /

31/1/2014 years

Sofia