

ILSANTA UAB

Independent Auditor's Report,
Annual Report and
Financial Statements for the year
ended 31 December 2016

TABLE OF CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	3-4
ANNUAL REPORT	5
FINANCIAL STATEMENTS:	
STATEMENT OF FINANCIAL POSITION	6
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	7
STATEMENT OF CHANGES IN EQUITY	8
STATEMENT OF CASH FLOWS	9
EXPLANATORY NOTES	10-27

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Ilsanta UAB:

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Lithuania on accounting and financial reporting, and International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

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

Other Information

The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon. Management is responsible for the other information.

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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Law of the Republic of Lithuania on accounting and financial reporting, and International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt 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 fair presentation.

We communicate with those charged with governance 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.

Deloitte Lietuva, UAB
Audit Company License No 001275


Simonas Rimašauskas
Lithuanian Certified Auditor
License No 000466

Vilnius, Republic of Lithuania
13 March 2017

ILSANTA UAB**Company code: 110498671, address: A. Goštauto 40A, Vilnius****ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

The annual report of Ilsanta UAB (hereinafter – „the Company”), legal entity code: 110498671, registered office at A. Goštauto 40A, Vilnius, for the financial year 2016 has been prepared by the Management of the Company following Article 25 of the Law of the Republic of Lithuania on financial statements of Entities.

The main activity of the Company is wholesale of medical goods and equipment.

In 2016 the Company continued its operations as distributor of Boston Scientific Corporation, Stryker, Acist and Maquet products in the Baltics, remained one of the leading distributors of medical goods in Lithuania.

In 2016 the total revenue of the Company was EUR 13,399 thousand. The commercial profitability ratio consisted 26%.

In 2016 the Company earned a net profit of EUR 651 thousand.

As at 31 December 2016, the authorized capital of the Company amounted to EUR 2,372 thousand. Albatross investments UAB holds 94% of shares of the Company.

Total assets of the Company amounted to EUR 8,372 thousand as at 31 December 2016.

The inventory decreased by 17% due more effective management of cardio goods stock and amounted to EUR 855 thousand as at 31 December 2016.

Trade receivables increased by 13% compared to 2015. Total trade receivables amounted to EUR 3,419 thousand as at 31 December 2016.

Cash and cash equivalents decreased by 38% and amounted to EUR 1,027 thousand.

Long term financial borrowings including financial lease consisted EUR 406 thousand. Short-term borrowings consisted EUR 445 thousand. The Company successfully fulfilled all its obligations to Nordea bank in the year 2016.

As at 31 December 2016, payables and accrued expenses decreased by 14% to EUR 2,301 thousand.

As at 31 December 2016, the Company had 23 employees (as at 31 December 2015 – 23).

During the financial year, the Company did not acquire any shareholdings in any other companies.

The Company has branches in Latvia and Estonia. The Company has no representative offices.

Financial risk management is disclosed in Note 20 of the Company's financial statements for the year ended 31 December.

Mr. Sigurdur Agustsson is the Chairman of the Board of UAB Albatross Investments, company code: 303572415, address: Goštauto g. 40A, Vilnius, Lithuania; Íslensk Hrossarækt ehf, company code 690704-2090, Geitaskarð 541 Blönduós, Iceland; Arnargerði ehf, company code 430317-1560, Jónsgeisli 39, 113, Reykjavík, Iceland; SXI ehf, company code 5002171460, Jónsgeisli 39, 113, Reykjavík, Iceland.

Mr. Andris Eglitis, Ilsanta's board member, is a chairman of the board of CMI Ltd, company code 4010319294, "Briksi", Kekava district, LV-2123, Latvia

Mr. Skirmantas Miliauskas, Ilsanta's board member is a Director of Finjustus Company code 303055695, MB, Zirmunu str. 56-56, Vilnius, Lithuania.

There were no important events after the balance sheet date which could have a material effect on the financial position and financial results of the Company for 2016.

In 2016 the Company plans to continue focusing on its main activities, to maintain market share in the Baltic countries and to continue optimization of its operations.



Sigurdur Örn Agustsson
General Director

Vilnius, Republic of Lithuania
13 March 2017

ILSANTA UAB

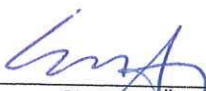
Company code: 110498671, address: A. Goštauto 40A, Vilnius


**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	Notes	2016 EUR	2015 EUR
ASSETS			
Non-current assets:			
Property, plant and equipment	4	122,546	197,031
Goodwill and other intangible assets	5	2,831,205	2,831,205
Total non-current assets		2,953,751	3,028,236
Current assets:			
Inventories	6	855,147	1,025,849
Trade receivables	7	3,418,772	3,025,706
Prepayments and deferred charges		116,098	140,599
Prepaid income tax		639	57,509
Cash and cash equivalents	8	1,027,128	1,648,659
Total current assets		5,417,784	5,898,322
TOTAL ASSETS		8,371,535	8,926,558
EQUITY AND LIABILITIES			
Capital and reserves:			
Issued capital	9	2,371,968	2,371,968
Legal reserve		178,462	150,232
Retained earnings		2,581,603	2,239,932
Total equity		5,132,033	4,762,132
Non-current liabilities:			
Borrowings	10	406,250	731,250
Deferred tax liabilities	18	87,010	43,956
Finance lease liabilities	11	-	8,378
Total non-current liabilities		493,260	783,584
Current liabilities:			
Payables and accrued expenses	12	2,301,609	2,680,148
Borrowings	10	429,943	676,132
Finance lease liabilities	11	14,690	24,562
Total current liabilities		2,746,242	3,380,842
Total liabilities		3,239,502	4,164,426
TOTAL EQUITY AND LIABILITIES		8,371,535	8,926,558

The accompanying explanatory notes are an integral part of these financial statements.

These financial statements were approved and authorized for issue on 13 March 2017.


Sigurður Örn Agustsson
General Director


Kristina Noreikienė
Chief Accountant

ILSANTA UAB

Company code: 110498671, address: A. Goštauto 40A, Vilnius

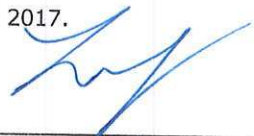
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Notes	2016 EUR	2015 EUR
Revenue	13	13,399,499	13,457,019
Cost of sales	14	(9,943,313)	(10,158,205)
Gross profit		3,456,186	3,298,814
Operating expenses	15	(2,626,706)	(2,573,820)
Net gain on sale of property, plant and equipment		-	2,456
Other income	16	1,168	9,827
Operating profit		830,648	737,277
Net foreign exchange profit		1,030	(15,538)
Finance income		18	29
Finance cost	17	(40,799)	(52,002)
Profit before tax		790,897	669,766
Income tax expense	18	(138,996)	(105,175)
Profit for the year		651,901	564,591

The accompanying explanatory notes are an integral part of these financial statements.

These financial statements were approved and authorized for issue on 13 March 2017.



Sigurður Örn Agustsson
General Director

Kristina Noreikienė
Chief Accountant

ILSANTA UAB


Company code: 110498671, address: A. Goštauto 40A, Vilnius


**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Share capital EUR	Legal reserve EUR	Retained earnings EUR	Total EUR
Balance				
as at 1 January 2015	2,368,860	123,618	3,088,042	5,580,520
Profit for the year	-	-	564,591	564,591
Transfer to legal reserve	-	-	(1,382,979)	(1,382,979)
Other comprehensive income	-	26,614	(26,614)	-
Conversion of share capital into Euros	3,108	-	(3,108)	-
Balance				
as at 31 December 2015	2,371,968	150,232	2,239,932	4,762,132
Profit for the year	-	-	651,901	651,901
Payment of dividends	-	-	(282,000)	(282,000)
Transfer to legal reserve	-	28,230	(28,230)	-
Balance				
as at 31 December 2016	2,371,968	178,462	2,581,603	5,132,030

The accompanying explanatory notes are an integral part of these financial statements.

These financial statements were approved and authorized for issue on 13 March 2017.



Sigurður Örn Agustsson
General Director

Kristina Noreikienė
Chief Accountant

ILSANTA UAB

Company code: 110498671, address: A. Goštauto 40A, Vilnius

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	2016 EUR	2015 EUR
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	651,901	564,591
Adjustments for:		
Income tax expenses	138,996	105,175
Depreciation	112,514	94,344
Finance income	(18)	(29)
Interest cost	32,499	38,831
Other finance cost	8,300	13,171
Net foreign exchange (gain) loss	(1,030)	15,538
Net (gain) on disposal of fixed assets	-	(2,456)
Change in allowance for inventory net realisable value	54,097	45,333
Change in allowance for doubtful receivables	-	(352)
	<u>997,259</u>	<u>874,146</u>
Movements in working capital:		
(Increase) in trade receivable	(393,066)	(67,854)
Decrease (increase) in prepayments and deferred charges	24,501	(48,423)
Decrease in inventories	116,605	217,946
(Decrease) in payables and accrued expenses	(378,037)	(218,065)
Cash generated from operations	<u>367,262</u>	<u>757,750</u>
Interest paid	(32,499)	(40,536)
Income taxes paid	(38,544)	(74,908)
Net cash generated by operating activities	<u>296,219</u>	<u>642,306</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment, intangible assets	(38,029)	(99,930)
Proceeds from disposal of property, plant and equipment, intangible assets	-	8,990
Interest received	18	29
Net cash generated by investing activities	<u>(38,011)</u>	<u>(90,911)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of dividends	(282,000)	(1,382,979)
Proceeds from borrowings	-	1,651,132
Repayments of borrowings	(571,189)	(1,490,059)
Finance lease payments	(18,250)	(10,338)
Other financial expenses paid	(8,300)	(13,171)
Net cash used in financing activities	<u>(879,739)</u>	<u>(1,245,415)</u>
Net (decrease) increase in cash and cash equivalents	<u>(621,531)</u>	<u>(694,020)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,648,659</u>	<u>2,342,679</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>1,027,128</u>	<u>1,648,659</u>

The accompanying explanatory notes are an integral part of these financial statements.

These financial statements were approved and authorized for issue on 13 March 2017.



Sigurður Örn Agústsson
General Director



Kristina Noreikienė
Chief Accountant

ILSANTA UAB

Company code: 110498671, address: A. Goštauto 40A, Vilnius

EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2016

1. GENERAL INFORMATION

Ilsanta UAB (hereafter „the Company“) was registered on 10 May 1993. The main activity of the Company is wholesale of medical device products and medical equipment.

The address of its registered office is as follows:

A. Goštauto 40A
Vilnius, 01112
Lithuania

At 31 December 2016, the Company had 23 employees (31 December 2015 – 23).

Addresses of the Company's branches:

<u>Country of Company's branches</u>	<u>Address</u>
Latvia	Blidenes 1a- 7, Riga LV 1058
Estonia	Pärnu mnt. 130-13, Tallinn 11317

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

2.1. Standards and Interpretations effective in the current period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** - Investment Entities: Applying the Consolidation Exception - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IFRS 11 "Joint Arrangements"** - Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** - Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- **Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The adoption of these amendments to the existing standards has not led to any material changes in the Company's financial statements.

2.2. Standards and amendments to the existing Standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following new standards and amendments to standards issued by IASB and adopted by the EU are not yet effective:

**EXPLANATORY NOTES
FOR THE YEAR ENDED 31 DECEMBER 2016**

- **IFRS 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018).

2.3. New Standards and amendments to the existing Standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU as at (the effective dates stated below is for IFRS in full):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IAS 7 "Statement of Cash Flows"** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 "Income Taxes"** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018).

The Company is currently assigning the impact of new standards and amendments on its financial statements.

EXPLANATORY NOTES**FOR THE YEAR ENDED 31 DECEMBER 2016****3. A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Statement of compliance**

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and legal regulations on accounting and financial reporting of the Republic of Lithuania.

Basis of preparation

The financial statements have been prepared on the historical cost basis, except certain items as described below (e.g. at fair value, at net realizable value or with a deduction of impairment). The principal accounting policies adopted are set out below.

The accompanying financial statements are presented in Euros (EUR).

Goodwill

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Company's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

After initial recognition goodwill acquired in a business combination is to be carried at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in subsequent periods.

Property, plant and equipment and intangible assets excluding goodwill

Property, plant and equipment and intangible assets are stated at cost less accumulated depreciation/amortisation and any accumulated impairment losses, if any.

Depreciation/amortisation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation/amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Depreciation/amortisation is provided in equal monthly instalments except for the month placed in service over the expected useful lives as follows:

Equipment	3-5 years
Vehicles	3-6 years
Other property, plant and equipment asset	2-10 years
Intangible assets	3-5 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent repair costs are included in the asset's carrying amount, only when it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognized in profit or loss in the period in which they are incurred.

**EXPLANATORY NOTES
FOR THE YEAR ENDED 31 DECEMBER 2016**

Impairment of property, plant and equipment and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whatever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of profit or loss and other comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost or net realizable value. Costs of inventories are determined by the first-in, first-out method (FIFO). Net realisable value represents the estimated selling price for inventories less estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The provisions are reviewed at each balance sheet date and adjusted in order to present the most reasonable current estimate. If the effect of the time value of money is material, the amount of provision is equal to the present value of the expenses, which are expected to be incurred to settle the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company as lessee

Assets held under finance leases are initially recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

ILSANTA UAB

Company code: 110498671, address: A. Goštauto 40A, Vilnius

**EXPLANATORY NOTES
FOR THE YEAR ENDED 31 DECEMBER 2016**

Financial assets

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Effective interest rate method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are 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.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in bank, demand deposits, and other short-term highly liquid investments with original maturities of three months or less which are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

ILSANTA UAB

Company code: 110498671, address: A. Goštauto 40A, Vilnius

**EXPLANATORY NOTES
FOR THE YEAR ENDED 31 DECEMBER 2016****Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Foreign currencies

Transactions denominated in foreign currency other than Euros (EUR) are translated into EUR at the official European Central Bank exchange rate on the date of the transaction, which approximates the prevailing market rates. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in profit or loss for the period.

As at 31 December, the applicable rates used for the principal currencies were as follows:

<u>2016</u>	<u>2015</u>
EUR 1 = USD 1.0453	EUR 1 = USD 1.0926
EUR 1 = GBP 0.8530	EUR 1 = GBP 0.73799
EUR 1 = ISK 119.6881	EUR 1 = ISK 141.42169

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Income tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. In 2016 and 2015 the income tax rate applied to the Company is 15%.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in profit or loss and other comprehensive income or directly in equity, in which case, the current and deferred tax are also

ILSANTA UAB

Company code: 110498671, address: A. Goštauto 40A, Vilnius

EXPLANATORY NOTES FOR THE YEAR ENDED 31 DECEMBER 2016

recognised in profit or loss and other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Related parties

A related party is a person or entity that complies with any of the following conditions:

- a. A person or a close member of that person's family is related to a reporting entity if that person:
 - i. has control or joint control of the reporting entity;
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b. An entity is related to a reporting entity if any of the following conditions applies:
 - i. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi. The entity is controlled or jointly controlled by a person identified in (a).
 - vii. A person identified in (a) (i) has significant influence over the reporting entity or is a member of the key management personnel of the reporting entity (or of a parent of the entity).
 - viii. [Effective for annual reporting periods beginning on or after 1 July 2016.] The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Subsequent events

Subsequent events that provide additional information about the Company's position at the balance sheet date (adjusting events) are reflected in the financial statements. Post balance sheet events that are not adjusting events are disclosed in the notes when material.

Reserves

Legal reserve

A legal reserve is a compulsory reserve under Lithuanian legislation. Annual transfers of not less than 5% of net profit, calculated according to accounting policies of the Republic of Lithuania, are compulsory until the reserve reaches 10% of the share capital.

Contingencies

Contingent liabilities are not recognised in the financial statements, except for contingent liabilities associated with acquisitions. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the financial statements but disclosed when an inflow or economic benefits are probable.

The Company's Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the date of statement of financial position, 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.

ILSANTA UAB

Company code: 110498671, address: A. Goštauto 40A, Vilnius

**EXPLANATORY NOTES
FOR THE YEAR ENDED 31 DECEMBER 2016**

Impairment of property, plant and equipment

The Company makes an assessment, at least annually, whether there are any indications that property, plant and equipment have suffered any impairment. If that is the case, the Company makes an impairment test in accordance with the accounting policy set out in Note 3. The recoverable amount of cash-generating units is determined based on value-in-use calculations. As at 31 December 2016 and 2015, there were no indications that property, plant and equipment might be impaired.

Impairment of goodwill

Following the accounting policy set out in Note 3, the Company tests annually whether goodwill has suffered any impairment. Recoverable amounts for cash generating units are based on value in use, which is calculated from cash flow projections for 5 years using data from the Company's internal forecasts. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes in margins. Management estimates discount rates using pre-tax rates that reflect current market assessment of the time value of money and the risks specific to the cash-generating units. Changes in selling prices and direct costs are based on past experience and expectations of future changes in the market.

Impairment of financial assets

At each balance sheet date, the Company reviews the financial assets to determine whether there is any indication that those assets have suffered an impairment loss. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. As at 31 December 2016 and 2015, impairment loss was not recognized.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

**EXPLANATORY NOTES
FOR THE YEAR ENDED 31 DECEMBER 2016**

4. PROPERTY, PLANT AND EQUIPMENT

As at 31 December, property, plant and equipment consisted of the following:

	Vehicles EUR	Equipment EUR	Other property, plant and equipment EUR	Total EUR
Cost				
as at 1 January 2015	151,117	88,407	443,465	682,989
Additions	13,507	7,068	79,355	99,930
Disposals and retirements	(19,090)	(8,176)	-	(27,266)
Correction	-	-	829	829
as at 31 December 2015	145,534	87,299	523,649	756,482
Additions	-	8,549	29,480	38,029
Disposals and retirements	-	(1,363)	-	(1,363)
Correction	-	-	-	-
as at 31 December 2016	145,534	94,485	553,129	793,148
Accumulated depreciation				
as at 1 January 2015	103,286	73,465	308,259	485,010
Depreciation	15,355	9,055	69,934	94,344
Disposals and retirements	(12,555)	(8,176)	-	(20,731)
Correction	-	-	828	828
as at 31 December 2015	106,086	74,344	379,021	559,451
Depreciation	14,215	8,285	90,014	112,514
Disposals and retirements	-	(1,363)	-	(1,363)
Correction	-	-	-	-
as at 31 December 2016	120,301	81,266	469,035	670,602
Carrying amount				
as at 31 December 2015	39,448	12,955	144,628	197,031
as at 31 December 2016	25,233	13,219	84,094	122,546

As at 31 December, the carrying amount of the assets being acquired under finance lease was as follows:

	2016 EUR	2015 EUR
Vehicles	25,233	39,448

As at 31 December, the cost of fully depreciated property, plant and equipment was as follows:

	2016 EUR	2015 EUR
Other property, plant and equipment		
Vehicles	284,539	284,539
Equipment	69,513	60,245
Total	420,719	408,165

ILSANTA UAB

Company code: 110498671, address: A. Goštauto 40A, Vilnius

EXPLANATORY NOTES**FOR THE YEAR ENDED 31 DECEMBER 2016****5. GOODWILL AND OTHER INTANGIBLE ASSETS**

As at 31 December, goodwill and other intangible fixed assets consisted of the following:

	Goodwill EUR	Other intangible assets EUR	Total EUR
Cost			
as at 1 January 2015	3,544,583	35,915	3,580,498
Additions	-	-	-
Retirements	-	(29,555)	(29,555)
as at 31 December 2015	3,544,583	6,360	3,550,943
Additions	-	-	-
as at 31 December 2016	3,544,583	6,360	3,550,943
Accumulated amortization and impairment losses			
as at 1 January 2015	713,378	35,915	749,293
Amortization	-	-	-
Retirements	-	(29,555)	(29,555)
as at 31 December 2015	713,378	6,360	719,738
Amortization	-	-	-
as at 31 December 2016	713,378	6,360	719,738
Carrying amount			
as at 31 December 2015	<u>2,831,205</u>	-	<u>2,831,205</u>
as at 31 December 2016	<u>2,831,205</u>	-	<u>2,831,205</u>

The Company tests goodwill for impairment annually or more frequently if there are indications that goodwill might be impaired.

The goodwill of EUR 2,831,205 that was recognized after the merger of LSA-2 UAB was not impaired in 2016 and 2015. The recoverable amount of the Ilsanta UAB activities was assessed by reference to the cash-generating unit's value in use during the next five year period. Effective discount rate of 6.18% was used when calculating NPV of future cash flows. This discount rate assumed cost of debt 2.95%, cost of equity 7.63%, leverage ratio 0.83 and tax rate 15%.

The key assumptions used in the value in use calculations for Ilsanta UAB activities are as follows:

Forecasted sales	Management believes that the growth of sales for the next five years will keep at the level consistent with prior years (+/-5 %);
Forecasted gross margin	Management believes that the budget gross margin will be consistent with that of prior years and gross margin of 25% is reasonably achievable;
Operating expenses	Management believes that the growth of operating expenses will be consistent with that of prior years, compound annual growth of 1 % was planned.

As at 31 December, the cost of fully amortized intangible assets was as follows:

	2016 EUR	2015 EUR
Other intangible assets	6,360	6,360
Total	<u>6,360</u>	<u>6,360</u>

6. INVENTORIES

As at 31 December, inventories consisted of the following:

	2016 EUR	2015 EUR
Merchandise goods	1,143,913	1,260,518
Less: net realisable value allowance	(288,766)	(234,669)
Total	<u>855,147</u>	<u>1,025,849</u>

As at 31 December 2016, inventories of EUR 855,147 were pledged under the loan agreement concluded with Nordea Bank AB Lithuania Branch. Borrowings are disclosed in Note 10.

ILSANTA UAB

Company code: 110498671, address: A. Goštauto 40A, Vilnius

**EXPLANATORY NOTES
FOR THE YEAR ENDED 31 DECEMBER 2016**

The movement of net realizable value allowance during the year consisted of the following:

	<u>2016 EUR</u>	<u>2015 EUR</u>
As at 1 January		
Write-downs of inventory to net realisable value	234,669	189,336
As at 31 December	<u>54,097</u>	<u>45,333</u>
	<u>288,766</u>	<u>234,669</u>

As at 31 December, inventories held in consignments stocks consisted of the following:

	<u>2016 EUR</u>	<u>2015 EUR</u>
Merchandise goods	503,016	616,853
Total	<u>503,016</u>	<u>616,853</u>

7. TRADE RECEIVABLES

As at 31 December, trade receivables consisted of the following:

	<u>2016 EUR</u>	<u>2015 EUR</u>
Trade receivables (domestic)	849,018	675,460
Trade receivables (foreign)	2,569,754	2,350,246
	<u>3,418,772</u>	<u>3,025,706</u>
Less: allowance of doubtful trade receivables	-	-
Total	<u>3,418,772</u>	<u>3,025,706</u>

As at 31 December 2016, the trade receivables of EUR 3,025,706 were pledged under the loan agreement concluded with Nordea Bank AB Lithuania Branch (Note 10).

The movement in the allowance for doubtful debts:

	<u>2016 EUR</u>	<u>2015 EUR</u>
As at 1 January		
Impairment losses reversed	-	352
As at 31 December	<u>-</u>	<u>(352)</u>
	<u>-</u>	<u>-</u>

8. CASH AND CASH EQUIVALENTS

As at 31 December, cash and cash equivalents consisted of the following:

	<u>2016 EUR</u>	<u>2015 EUR</u>
Cash in banks	1,023,705	1,648,537
Cash on hand	482	122
Restricted	2,941	-
Total	<u>1,027,128</u>	<u>1,648,659</u>

As at 31 December 2016, the cash and cash equivalents of EUR 1,027,128 were pledged under the loan agreement concluded with Nordea Bank AB Lithuania Branch (Note 10).

ILSANTA UAB

Company code: 110498671, address: A. Goštauto 40A, Vilnius

**EXPLANATORY NOTES
FOR THE YEAR ENDED 31 DECEMBER 2016****9. ISSUED CAPITAL**

As at 31 December 2016, authorized share capital comprised of 8,179,200 ordinary shares at par value of EUR 0.29 each. All shares are fully paid.

As at 31 December 2016, 94% of the Company's shares were held by Albatross investments UAB, a company incorporated and existing under the law of Republic of Lithuania with ID No. 303572415, having its registered office at Goštauto 40a, Vilnius, the Republic of Lithuania. The ultimate shareholder is Sigurður Örn Agustsson.

As at 31 December, the shareholder of the Company was as follows:

Shareholder	Proportion of ownership			
	2016		2015	
	Ordinary shares number	%	Ordinary shares number	%
Albatross investments UAB	7,688,448	94	7,688,448	94
Sigurður Örn Agustsson	327,168	4	327,168	4
Andris Eglītis	163,584	2	163,584	2
Total	8,179,200	100	8,179,200	100

As at 31 December 2016, all Company's shares were pledged under the loan agreement concluded with Nordea Bank AB Lithuania Branch (Note 10).

10. BORROWINGS

As at 31 December, borrowings consisted of the following:

	2016 EUR	2015 EUR
Nordea Bank AB Lithuania Branch (loan)	731,250	1,056,250
Nordea Bank AB Lithuania Branch (overdraft)	104,943	351,132
Total borrowings	836,193	1,407,382
Less: non-current borrowings	(406,250)	(731,250)
Total current borrowings	429,943	676,132

All borrowings are in EUR.

As at 31 December 2016 borrowings of EUR 836,193 were arranged at average interest rate 2.95%.

As at 31 December 2016, borrowings are secured by pledge of all Company's inventories (Note 6), trade receivables (Note 7), cash and cash equivalents (Note 8) and 100% shares of the Company (Note 9) under the loan agreement concluded with Nordea Bank AB Lithuania Branch.

Under the loan agreement the pledged inventory value should be not less than EUR 1,000,000. As at 31 December 2016 the value of pledged inventories was lower and the Company haven't got any written demand to eliminate the respective breach. The loan agreement with Nordea Bank AB Lithuanian branch was prolonged at 24 February 2017 (Note 23) and the obligation of pledged inventory balance value was reduced to EUR 840,000.

ILSANTA UAB

Company code: 110498671, address: A. Goštauto 40A, Vilnius

**EXPLANATORY NOTES
FOR THE YEAR ENDED 31 DECEMBER 2016****11. FINANCE LEASE LIABILITIES**

As at 31 December 2016 and 2015, the Company had outstanding finance lease liabilities of EUR 14,690 and EUR 32,940, respectively, related to the acquisition of vehicles. As at 31 December, the future annual minimum commitments under finance leases are as follows:

	2016		2015	
	Minimum lease payments EUR	Present value of minimum lease payments EUR	Minimum lease payments EUR	Present value of minimum lease payments EUR
Not later than one year	14,777	14,690	25,015	24,562
Later than one year and not later than five years	-	-	8,432	8,378
Minimum lease payments	14,777	14,690	33,447	32,940
Less: future finance charges	(87)		(507)	
Present value of minimum lease payments	14,690		32,940	

For the year ended 31 December 2016, the effective borrowing rate fluctuated from 2.66 to 2.90 % (2015: 2.80 - 2.66%). Lease liabilities are arranged at floating interest rates, thus exposing the Company to cash flow interest rate risk.

No arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in EUR.

The fair value of the Company's lease obligations approximates their carrying amount. The Company's obligations under finance leases are secured by the lessors' title to the leased assets.

12. PAYABLES AND ACCRUED EXPENSES

As at 31 December, payables and accrued expenses consisted of the following:

	2016 EUR	2015 EUR
Trade payables	2,036,192	2,412,082
Payables to employees and related taxes	81,614	103,852
Accrued vacation reserve	54,266	81,352
Value added tax	96,245	62,227
Payable income tax (Lithuania)	547	19
Other accrued expenses	32,745	20,616
Total	2,301,609	2,680,148

13. SALES

For the year ended 31 December, sales by geographical segments, irrespective of the origin of the goods consisted of the following:

	2016 EUR	2015 EUR
Latvian branch	7,728,701	6,909,391
Lithuania	4,574,634	5,408,980
Estonian branch	1,096,164	1,138,648
Total	13,399,499	13,457,019

ILSANTA UAB

Company code: 110498671, address: A. Goštauto 40A, Vilnius

EXPLANATORY NOTES**FOR THE YEAR ENDED 31 DECEMBER 2016****14. COST OF SALES**

For the year ended 31 December, cost of sales consisted of the following:

	2016 EUR	2015 EUR
Cost of goods sold	9,703,246	9,927,774
Transportation and custom expenses	100,595	99,369
Warehouse rent expenses	49,458	61,134
Depreciation	90,014	69,928
Total	9,943,313	10,158,205

15. OPERATING EXPENSES

For the year ended 31 December, operating expenses consisted of the following:

	2016 EUR	2015 EUR
Marketing expenses	1,189,606	1,084,489
Staff cost (including related taxes)	869,684	839,507
Vehicles rent and fuel expenses	132,189	122,296
Insurance, legal and other services	82,956	184,887
Business trips	80,881	73,300
Premises rent and maintenance expenses	67,225	63,352
Write off of inventory to net realizable value	54,097	45,333
Transportation to customers	24,401	29,910
Depreciation	22,500	24,416
Taxes (excluding income tax)	18,206	18,072
Communications	16,807	19,692
Board expenses	21,309	13,250
Write off of inventory	14,073	15,015
Office expenses	11,846	17,310
Impairment losses reversed	-	(352)
Other expenses	20,926	23,343
Total	2,626,706	2,573,820

16. OTHER INCOME

For the year ended 31 December, other income consisted of the following:

	2016 EUR	2015 EUR
Recovered amounts	1,168	9,827
Total	1,168	9,827

17. FINANCE COST

For the year ended 31 December, finance cost consisted of the following:

	2016 EUR	2015 EUR
Interest expenses	32,499	38,831
Other finance cost	8,300	13,171
Total	40,799	52,002

Interest rate of Nordea Bank AB Lithuania Branch consisted in average 2.95% in 2016 and 2015.

ILSANTA UAB

Company code: 110498671, address: A. Goštauto 40A, Vilnius

**EXPLANATORY NOTES
FOR THE YEAR ENDED 31 DECEMBER 2016****18. INCOME TAX EXPENSES**

Reconciliation of income tax expenses / (benefit) at the statutory rate to income tax (benefit)/expenses at the Company's effective rate is as follows:

	<u>2016 EUR</u>	%	<u>2015 EUR</u>	%
Profit before income tax	790,897		669,766	
Income tax expense calculated at effective income taxes rate	118,635	15	100,465	15
Tax effect of non-taxable income and non-deductible expense	41,119	5	26,804	4
Realization of tax loss carried forward	(20,758)	(3)	(22,094)	(3)
Income tax expense	<u>138,996</u>	18	<u>105,175</u>	16

The components of income tax expense are as follows:

	<u>2016 EUR</u>	<u>2015 EUR</u>
Current income tax expense (Latvian branch)	87,285	53,591
Current income tax expense (Lithuania)	8,896	11,755
Correction of the previous year (Latvian branch)	(239)	3,487
Correction of the previous year (Lithuania)	-	(7,614)
Deferred income tax expense	43,054	43,956
Income tax expense	<u>138,996</u>	<u>105,175</u>

The movement of deferred tax asset is as follows:

	<u>2016 EUR</u>	<u>2015 EUR</u>
Deferred tax assets:		
Vacation reserve	6,508	7,045
Write-downs for inventory to net realisable value	37,979	30,775
Impairment allowance of trade receivables	-	-
Tax loss carried forward (Lithuanian branch)	91,124	111,882
Other accrued expenses	1,516	2,167
Total deferred tax assets	<u>137,127</u>	<u>151,869</u>
Goodwill amortisation for tax purposes	(224,137)	(195,825)
Deferred tax liability related to temporary difference on finance and tax depreciation values of fixed assets	-	-
Total deferred tax liabilities	<u>(224,137)</u>	<u>(195,825)</u>
Less: write-downs of deferred tax assets	-	-
Net deferred tax liabilities	<u>(87,010)</u>	<u>(43,956)</u>

19. RELATED PARTY TRANSACTIONS

As at 31 December 2016 and for year then ended, the related party transactions were as follows:

<u>Related party</u>	<u>Payable to related party EUR</u>	<u>Receivable from related party EUR</u>	<u>Paid interest to related party EUR</u>	<u>Purchases from related party EUR</u>	<u>Borrowings from related party EUR</u>
Albatross investments UAB	-	-	-	14,200	-

As at 31 December 2015 and for the year then, ended related party transactions were as follows:

<u>Related party</u>	<u>Payable to related party EUR</u>	<u>Receivable from related party EUR</u>	<u>Paid interest to related party EUR</u>	<u>Purchases from related party EUR</u>	<u>Borrowings from related party EUR</u>
Albatross investments UAB	-	-	-	-	-
Kaupthing bank hf. (the shareholder of Albatross hf.)	-	-	8,631	-	-

ILSANTA UAB

Company code: 110498671, address: A. Goštauto 40A, Vilnius

**EXPLANATORY NOTES
FOR THE YEAR ENDED 31 DECEMBER 2016**

For the year ended 31 December, the remuneration of the Company's management was as follows:

	2016 EUR	2015 EUR
Remuneration of management	237,412	234,541
Average number of managers	3	3

Remuneration of top management includes all personal compensations and benefits related to General Director and 2 country managers. As at 31 December 2016, accrued but not paid bonuses for the year 2016 consist of EUR 24,289.

20. FINANCIAL RISK MANAGEMENT

The Company is exposed to financial risks in its operations, i.e. credit risk, liquidity risks and market risk. To manage the above mentioned risks, the Company seeks to minimize potential adverse effects which could negatively impact financial performance of the Company.

Credit Risk

As at 31 December 2016 and 2015, the maximum exposures to credit risk consisted of the following:

	2016 EUR	2015 EUR
Financial assets:		
Trade receivable	3,418,772	3,025,706
Cash and cash equivalents	1,027,128	1,648,659
Total	4,445,900	4,674,365

Financial assets include trade receivables and cash and cash equivalents.

The credit risk of the Company is rather limited because the main buyers are reliable customers.

The Company does not have any significant credit risk concentration, because of having numerous customers.

The credit risk on liquid funds is limited because the banks with high credit ratings assigned by international credit-rating agencies.

Ratings of the banks issued by international rating agency Fitch Ratings:

Bank	Long-term credit rating	Short-term credit rating
Nordea Bank Finland Plc Lithuania Branch	AA-	F1+
DNB Bank	A+	F1

Ratings of the banks issued by international rating agency Moody's:

Bank	Long-term credit rating	Short-term credit rating
Nordea Bank Finland Plc Lithuania Branch	Aa3	P-1
DNB Bank	Aa2	P-1

As at 31 December 2016 and 2015, the ageing analysis of the Company's financial assets that were past due but not impaired consisted of the following:

	2016 EUR	2015 EUR
Overdue up to 30 days	2,433,156	202,182
Overdue from 30 to 60 days	571,986	142,519
Overdue from 60 to 90 days	166,864	87,780
Overdue more than 90 days	120,648	143,329
Carrying amount	3,292,654	575,810

ILSANTA UAB

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**EXPLANATORY NOTES
FOR THE YEAR ENDED 31 DECEMBER 2016****Liquidity risk**

The liquidity risk is managed by planning the cash flows of Company's. In order to minimize the liquidity risk, cash flow forecasts are prepared. Overdraft and credit line agreements are used to manage the difference between the risks of late coverage of receivables and the short-term cash flows (proceeds and payments).

When concluding credit contracts, the Company follows the following principles: the amount of liquid assets and unused credit lines and credits in the bank accounts must cover the current liabilities of the Company, including the current portion of long-term borrowings.

The following table details the Company's contractual maturity for their financial liabilities. The tables have been drawn up based on the cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
As at 31 December 2016				
Borrowings with interest	447,425	408,152	-	-
Obligations under finance leases with interest	14,777	-	-	-
Payables and accrued expenses	2,301,609	-	-	-
Total	2,763,811	408,152	-	-
As at 31 December 2015				
Borrowings with interest	703,332	342,395	408,152	-
Obligations under finance leases with interest	25,015	8,432	-	-
Payables and accrued expenses	2,709,648	-	-	-
Total	3,437,995	350,827	408,152	-

Market riskInterest rate risk

The borrowings with floating interest rates expose the Company to cash flow interest rate risk.

The Company has borrowings with floating interest rates, related to EURIBOR and EUR LIBOR.

If during the year ended 31 December 2016 the interest rates on the Company's borrowings were higher by 100 basis points, the net profit of the Company would have decreased by 1 % (in 2015 – 2%). If on 31 December 2016 the interest rates on the Company's borrowings were lower by 100 basis points, the Company's net profit would have been higher by 1 % (in 2015 – 2%).

Foreign currency exchange risk

In order to manage the foreign currency exchange risk, the Company concludes credit contracts only in Euros. The sales/purchase contracts are also denominated mostly in Euros.

The Company has no significant concentration of foreign exchange risk; therefore, it did not use any financial instruments facilitating control over the foreign exchange risk in 2016 and in 2015.

The effect of translation differences arising from inclusion of branches in these financial statements is shown in statement of changes in equity.

As at 31 December 2016 and 2015, monetary assets and liabilities in various currencies consisted of the following:

	2016			2015		
	Asset EUR	Liabilities EUR	Net on-balance sheet financial position EUR	Asset EUR	Liabilities EUR	Net on-balance sheet financial position EUR
EUR	4,445,900	(3,214,974)	1,230,926	4,674,365	(4,147,796)	526,569
LTL	-	-	-	-	-	-
USD	-	(24,528)	(24,528)	-	(15,456)	(15,456)
ISK	-	-	-	-	-	-
SEK	-	-	-	-	(65)	(65)
GBP	-	-	-	-	(1,109)	(1,109)
Total	4,445,900	(3,239,502)	1,206,398	4,674,365	(4,164,426)	509,939

Financial assets consist of trade receivables and cash and cash equivalents. Financial liabilities consist of borrowings, finance lease liabilities, payables and accrued expenses.

ILSANTA UAB

Company code: 110498671, address: A. Goštauto 40A, Vilnius

**EXPLANATORY NOTES
FOR THE YEAR ENDED 31 DECEMBER 2016**Fair value of financial assets and liabilities

The Company's principal financial assets and liabilities, not carried at fair value, are trade and other accounts receivable, trade and other payables.

Fair value is defined as the amount at which the instrument could be exchanged between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate. The carrying amounts of financial assets and liabilities of the Company are approximately equal to their fair value.

According to the management, the balance value of the Company's financial assets and liabilities (not carried at fair value) is approximately equal to their fair value.

Capital management

The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains healthy capital ratios in order to support its business and to maximize the Company's value to shareholders.

The Company manages its capital structure and makes adjustments to it taking account of changes in economic conditions and the risk characteristics of its activities. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Company is obliged to upkeep its equity ratio of not less than 50% of its share capital, as imposed by the Law on Companies of the Republic of Lithuania. There were no other externally imposed capital requirements on the Company.

The Company monitors capital using equity to liabilities ratio. Equity consists of shares, share premiums, reserves, retained earnings attributable to equity owners.

The calculation of equity to current liabilities ratio is presented below:

	<u>2016 EUR</u>	<u>2015 EUR</u>
Equity	5,132,033	4,762,132
Current liabilities	2,746,242	3,380,842
Equity to current liabilities ratio	<u>187%</u>	<u>141%</u>

21. OPERATING LEASE

As at 31 December 2016 and 2015, irrevocable future lease payment obligations consisted of the following:

	<u>2016 EUR</u>	<u>2015 EUR</u>
Payable within one year	12,881	15,086
Due between two and five years	19,531	40,131
Plant and machine future lease payment obligations:	<u>32,412</u>	<u>55,217</u>

The agreement of premises rent of the main office can be terminated with four month notice paying two month rent fee penalty, but after 2018.04.01. In other case the penalty consist six month fee rent. The rent agreements of the branches can be terminated with six month notice without any penalty.

22. COMMITMENTS AND CONTINGENCIES

As at 31 December 2016 and 2015, the Company was not involved in any legal proceedings which in the opinion of management would have a material impact on the financial statements.

23. POST BALANCE SHEET EVENTS

Nordea Bank AB Lithuanian branch prolonged the overdraft agreement for one year.

Until the date of signing of these financial statements there were no events or circumstances that would need to be disclosed or adjusted in these financial statements.

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Sidevahendid

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