

TECE BALTIKUM UAB

Independent Auditor's Report,
Annual Report and Financial Reports
for the Year Ended on December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of UAB "TECE BALTIKUM"

Opinion

We have audited the financial statements of UAB "TECE BALTIKUM" (the Company), which comprise the balance sheet as at December 31, 2018, and the income statement, for the year then ended and related explanatory notes.

In our opinion, the accompanying financial statements on pages 5-20, give a true and fair view of the financial position of the UAB "TECE BALTIKUM" and of its financial performance as at December 31, 2018 in accordance with the Business Accounting Standards of Lithuanian Republic.

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 Financial Statements 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 Financial Statements 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.

Emphasis of Matter

Without further qualifying our opinion we draw attention to the fact that as on 31st December 2018 the company's liabilities exceed the assets, and the company's equity amounted 1 106,2 thousand Euro is negative. According to the Republic of Lithuania on Companies Act, if the company's equity is less than 1/2 of the authorized capital, the Company's management must take action to the company's equity would be restored so that it would not be less than 1/2 of the authorized capital. Related company's management plans are disclosed in Note No.16.

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 Business Accounting Standards 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 shall 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.

Jolanta Janušauskienė
Independent Lithuanian auditor
Certificate Nr. 000390

UAB Crowe LT
Certificate Nr. 001472

The 29th of March, 2019
Vilnius, Lithuania



TECE BALTIKUM UAB

Enterprise No. 134758647, Savanorių Pr. 339B, Kaunas

BALANCE SHEET AS AT DECEMBER 31, 2018

(all amounts are specified in euro, unless stated otherwise)

	ASSETS	Remark No.	2018	2017
A.	LONG-TERM ASSETS		206,319	226,951
1.	INTANGIBLE ASSETS	3	10,011	7,508
1.1.	Development works		-	-
1.2.	Prestige		-	-
1.3.	Software		10,011	7,508
1.4.	Concessions, patents, licenses, trademarks and similar rights		-	-
1.5.	Other intangible assets		-	-
1.6.	Prepayments		-	-
2.	TANGIBLE ASSETS	4	196,308	219,443
2.1.	Land		-	-
2.2.	Buildings and structures		-	-
2.3.	Machinery and equipment		-	-
2.4.	Vehicles		132,001	127,137
2.5.	Other equipment, tools, devices and installations		64,307	78,924
2.6.	Investment property		-	-
2.6.1.	Land		-	-
2.6.2.	Buildings		-	-
2.7.	Paid in advance and carried out of the construction of tangible assets (production)		-	13,382
3.	FINANCIAL ASSETS		-	-
3.1.	Shares of the group's companies		-	-
3.2.	Loans to group companies		-	-
3.3.	The group companies receivables		-	-
3.4.	Associated company shares		-	-
3.5.	Loans to associates		-	-
3.6.	The associates receivables		-	-
3.7.	Long-term investments		-	-
3.8.	The receivables longer than one year		-	-
3.9.	Other financial assets		-	-
4.	OTHER LONG-TERM ASSETS		-	-
4.1.	Deferred tax assets		-	-
4.2.	Biological assets		-	-
4.3.	Other assets		-	-
B.	SHORT TERM ASSETS		2,046,501	2,301,201
1.	Stock	5	722,945	797,638
1.1.	Raw materials and consumables		319	5,572
1.2.	Unfinished production and execution of works		-	-
1.3.	Production		-	-
1.4.	Purchased goods for resale		699,764	781,362
1.5.	Biological assets		-	-
1.6.	Long term assets for resale		-	-
1.7.	Prepayments		22,662	10,704
2.	AMOUNTS RECEIVABLE WITHIN ONE YEAR	6	1,075,383	1,218,085
2.1.	Trade debtors		1,074,237	1,216,712
2.2.	Group companies debt	14	-	-
2.3.	Associated companies debt		-	-
2.4.	Other amounts receivable		1,146	1,373
3.	SHORT-TERM INVESTMENTS		-	-
3.1.	Shares of the Group's companies		-	-
3.2.	Other investments		-	-
4.	CASH AND MONEY EQUIVALENTS	7	248,173	285,478
C.	DEFERRED EXPENSES AND ACCRUED INCOME		12,327	15,674
	TOTAL ASSETS		2,265,147	2,643,826

	SHAREHOLDERS EQUITY AND LIABILITIES	Remark No.	2018	2017
D.	EQUITY		(1,106,210)	(1,148,191)
1.	CAPITAL	8	323,628	323,628
1.1.	Authorized (subscribed) or core capital		323,628	323,628
1.2.	Subscribed capital unpaid (-)		-	-
1.3.	Own shares, stock (-)		-	-
2.	SHARE PREMIUM	8	64,726	64,726
3.	REVALUATION RESERVE		-	-
4.	RESERVES	8	32,365	32,365
4.1.	Legal reserve or capital buffer		32,365	32,365
4.2.	Acquisition of own shares		-	-
4.3.	Other reserves		-	-
5.	PROFIT (LOSS) BROUGHT FORWARD	9	(1,526,929)	(1,568,910)
5.1.	Profit (loss) of the reporting year		41,981	19,664
5.2.	Profit (loss) of the previous year		(1,568,910)	(1,588,574)
E.	GRANTS, SUBSIDIES		-	-
F.	PROVISIONS		-	-
1.	Pensions and similar obligations provisions		-	-
2.	Tax provisions		-	-
3.	Other provisions		-	-
G.	AMOUNTS PAYABLE AND OTHER LIABILITIES		3,371,007	3,692,017
1.	AMOUNTS PAYABLE AFTER ONE YEAR AND LONG TERM LIABILITIES		-	-
1.1.	Obligations		-	-
1.2.	Amounts payable to credit institutions		-	-
1.3.	Prepayments received		-	-
1.4.	Trade amounts payable		-	-
1.5.	Amounts payable under the bills and checks		-	-
1.6.	Amounts payable to the Group's companies		-	-
1.7.	Amounts payable to the Associated companies		-	-
1.8.	Other payables and long term liabilities		-	-
2.	AMOUNTS PAYABLE WITHIN ONE YEAR AND SHORT TERM LIABILITIES		3,371,007	3,692,017
2.1.	Obligations		-	-
2.2.	Amounts payable to credit institutions		-	-
2.3.	Prepayments received		6,181	2,457
2.4.	Trade amounts payable		50,354	44,795
2.5.	Amounts payable under the bills and checks		-	-
2.6.	Amounts payable to the Group's companies	14	3,169,716	3,336,879
2.7.	Amounts payable to the Associated companies		-	-
2.8.	Profit tax liabilities		5873	-
2.9.	Liabilities related to labor relations		116,249	211,207
2.10.	Other amounts payable and short term liabilities		22,634	96,679
H.	ACCRUED EXPENSES AND DEFERRED INCOME		350	-
	TOTAL EQUITY AND LIABILITIES		2,265,147	2,543,826

The enclosed Explanatory Letter is an integral part of these financial reports.

The financial reports were approved and signed on March 29, 2019.

/signature/

Roman Kuzmin
General manager



/signature/

Virginija Unguraitienė
Chief Financial Officer



TECE BALTIKUM UAB

Enterprise No. 134738647; Savanorių Pr. 339B, Kaunas

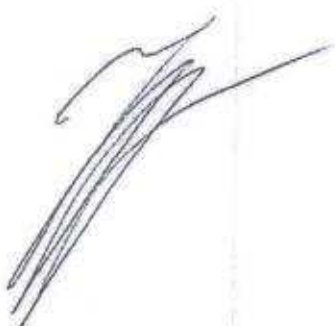
PROFIT(LOSS) STATEMENT FOR THE YEAR ENDED ON DECEMBER 31, 2018

(all amounts are specified in euro, unless stated otherwise)

	Remark No.	Year 2018	Year 2017
1. Sales revenue			
2. Cost of sales	10	5,205,140	4,864,283
3. Biological assets fair value		(3,380,207)	(3,257,171)
4. GROSS PROFIT		1,824,933	1,607,114
5. Sales expenses			
6. General and administrative expenses	11	(1,120,663)	(1,046,440)
7. Other operations result	12	(662,108)	(562,096)
8. Income from the investment to the shares of the parent, affiliates and associates companies	13	2,666	22,119
9. Other long-term investments and loan proceeds		-	-
10. Other interest and similar income		-	-
11. Financial assets and short-term investment impairment		-	-
12. Interest and similar expenses		-	-
13. PROFIT (LOSS) BEFORE TAXES		45,428	20,697
14. Corporate tax		(3447)	(1033)
15. NET PROFIT (LOSS)		41,981	19,664

The enclosed Explanatory Letter is an integral part of these financial reports.
The financial reports were approved and signed on March 29, 2019.

(signature)
Roman Kuzmin
General manager



(signature)
Virginija Unguraitienė
Chief Financial Officer



TECE BALTIKUM UAB

Enterprise No. 134758647; Savanorių Pr. 339B, Kaunas, Lithuania

EXPLANATORY LETTER FOR THE YEAR ENDED ON DECEMBER 31, 2018

(all amounts are specified in euro, unless stated otherwise)

1. Information on the economic activities of the Company

Limited Liability Company TECE Baltikum (hereinafter referred to as the Company) was registered by the Registrar of Kaunas City Municipality on July 4, 1996. Registered office address: Savanorių Pr. 339B, Kaunas LT-50119, Lithuania. Principal place of business: Terminalo St. 10, Biruliškės Village, Kaunas District LT-54469, Lithuania.

As of December 4, 2007, all the shares of the Company have been owned by the Germany company TECE GmbH (headquartered at Hollefeld St. 57, Emsdetten, Germany, enterprise number DE 814768916).

The Company has a branch office in Klaipėda (at Dubysos Str. 25), in Vilnius (at Verkių g. 34A), in Latvia at Mūkusalas St. 41B-8, Riga, enterprise number 40006014606 and in Estonia at Tuleviku St. 10, Tallinn, enterprise number 12138592.

The Company engages in sales of water supply and heating systems, transport from abroad is carried out by own and hired transport, to subdivisions - by own and hired transport.

As at December 31, 2018, the number of employees on the payroll was 20 (in comparison to 20 employees on December 31, 2017).

2. Brief description of the key accounting principles

The financial statements of the Company were prepared in accordance with the Business Accounting Standards (BAS).

The financial reports were generated on the basis of acquisition cost.

When preparing financial reports, the going concern principle, i.e. the assumption that the Company will continue its business operations in the future, was taken into consideration.

According to Article 4 of the Law on Companies' Financial Reporting, small enterprises are those enterprises whose at least two indicators on the last day of the financial year do not exceed the following amounts:

- 1) the value of the assets indicated in the balance sheet is EUR 4 000 000;
- 2) Net sales during the accounting financial year - EUR 8,000,000;
- 3) the average annual number of employees in the list for the accounting financial year - 50 employees.

According to Article 20 of the same law, the cash flow statement is not mandatory for small companies.

The financial year of the Company is the calendar year.

The Company provides all amounts in the financial statements in euro (EUR).

The following are the main accounting policies of the Company.

Long term intangible assets

At first, the intangible assets are registered at acquisition cost. Intangible assets are recognized as such if it is probable for the Company to gain economic benefits related to such assets and if the cost of the asset acquisition can be measured reliably. Following initial recognition, the intangible assets are recorded in financial statement at acquisition cost less the accumulated amortization and amount of value reduction losses, if any.

Amortization of the intangible assets is calculated in directly proportionate (linear) method within the estimated useful time

The following is the useful time of this intangible asset group:

Long-term intangible assets	Useful time
Software	3 years

The value reduction of the intangible assets and writing-off losses are attributed to the expenses of the company's activity in the profit (loss) statement.

Upon transfer of intangible assets, the result of the transaction – profit or loss – is shown in the profit (loss) statement of the same reporting year.

Long term tangible assets

Long term tangible assets are the assets, which the Company owns and controls, from which it expects receiving economic benefit in future periods, which will be used for longer period than one year, the acquisition (manufacture) cost of which can be reliably determined and the value of which is higher than EUR 232.

The long term tangible assets are recorded in financial statement at acquisition cost less the accumulated amortization and amount of value reduction losses, if any.

Amortization of the tangible assets is calculated in directly proportionate (linear) method within the following estimated useful time:

Long-term tangible assets	Useful time
Machinery and equipment	5 years
Transport	4-6 years
Other equipment, devices, tools and machinery	2-6 years

At the end of each year, the Company reviews the useful time of the long term assets, their liquidation value and depreciation methods, and evaluates the change influence, if any, which is recorded with respect to future outlook.

Any repair-related expenses on the long term tangible assets that are already being used are added to the long term tangible asset value recorded in the accounting, if such expenses extend the useful time of the assets or improve their beneficial properties. All other repair expenses are recorded as expenditure in the profit (loss) statement at the moment when they are incurred.

The repairs of rented assets and/or assets given for use based on use agreements are attributed to assets and recorded as expenditure throughout the remaining rental period, if such repairs extend the useful time of the assets or improve their beneficial properties.

Upon transfer of the tangible assets, the result of the transaction – profit or loss – is shown in the profit (loss) statement of the same reporting year.

Investment assets

Investment assets are immovable property held for the purpose of receiving rental and/or generating profit from increase in asset value. The investment assets are recorded in accounting at their fair value with no calculation of depreciation. The fair value of the investment assets are specified each time upon generating financial reports and any related changes are registered either as profit or losses in the profit (loss) statement.

Upon transfer of the assets from other long term tangible asset groups to investment asset group, the asset value recorded on the balance sheet is considered the acquisition cost of the investment assets. On the day of transfer, the investment assets are recorded at their fair value and the difference between the acquisition cost and fair value is shown on the profit (loss) statement. The unused

portion of the revaluation reserve of the transferred revaluated long term assets is reduced by increasing the profit brought forward (decreasing the losses).

The repair expenses of the investment assets recorded at fair value in the financial reports are recognized as expenditure during the period they were incurred.

Long term tangible and intangible asset value decrease (impairment)

The Company reviews the residual asset value each time when generating financial reports to determine any signs of value decrease. Upon detecting such signs, the Company assesses the recoverable amount with the purpose of assessing the value decrease (if any). When evaluation of the recoverable amount is impossible, the Company calculates the recoverable amount of the income-generating asset group that the asset in question belongs to. When a reliable and consecutive basis for asset appropriation can be determined, the Company appropriates its assets to separate units of income-generating assets or to such smaller groups of income-generating assets, the reliable and consecutive basis for appropriation of which can be defined.

Recoverable amount is the greater of an asset's net sale price less costs to sell or its value in use. The assessment of the value in use involves the process of discounting the estimated future cash flows to its present value by employing the pre-tax discount rate. The latter is determined by assessing the present market conditions, the existing time value of money and asset-related risk that was not taken into account when estimating future cash flows.

If the recoverable amount of the assets (or income-generating asset group) is lower than the book value of the assets in question, the book value of the assets is reduced to the recoverable amount of the assets (or income-generating asset group). Any impairment losses are recorded immediately in the profit (loss) statement, unless the said assets have been previously revalued. In such a case, impairment losses are accounted for as decrease of the revaluation reserve.

If the asset value increases following the recording of the impairment losses, the book value of the assets (or income-generating asset group) is increased to the newly calculated recoverable amount of the assets; however, such an increase shall not exceed the book value of the assets (or income-generating asset group), if the impairment losses were not recognized in the previous year. The recovery of impaired assets is recorded in the profit (loss) statement immediately, unless the said assets have been previously revalued.

Stock

Stock is accounted for either at acquisition cost or net realization value, whichever is the lowest. The net realization value indicates the estimated sales price of stock under regular operation conditions less all the assessed expenses for manufacturing completion and sales.

The cost is calculated on FIFO basis by making an assumption that the stock acquired first will be used first as well. When calculating the cost of products, the Company allocates a portion of received discounts to goods acquired from the suppliers that have not yet been sold.

Financial assets

Financial assets are accounted for and written off on the day of transaction when the Company acquires the right or obligation based on the respective agreement.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash-in-transit, money in bank accounts, demand deposits and other short-term (up to 3 months from the day of agreement conclusion) highly realizable investments which can be quickly exchanged into known cash amounts and the risk of value change of which is insignificant.

Amounts receivable

At the time of the initial recognition, the amounts receivable are accounted for at acquisition cost. At later times, they are accounted for at amortized cost by employing effective interest rate method

less any impairment losses. The decrease of value of the amounts receivable is formed and recorded in the profit (loss) statement, when there is objective proof of the decreased asset value.

Financial asset value decrease (impairment)

The Company reviews the financial assets each time upon generating financial reports to determine any signs of value decrease. The value of financial assets is deemed impaired when consequences of objective factors (such as one or several events post the first recognition of financial assets) influenced the estimates future cash flows from the financial assets.

The amount of the impairment losses of the financial assets accounted for at amortized cost is recognized as the difference between the book value of the financial assets and the present value of the future cash flows that have been discounted by employing the initial effective interest rate of the financial assets.

The total book value of the financial assets is directly decreased by the assessed impairment losses. The book value is restored by using the previously written off amounts that are recovered at a later time. The changes of book value due to impairment are recorded in the profit (loss) statement.

If the amount of impairment loss assessed at a later time decreases and such decrease can be objectively tied to an event that occurred after the recognition of impairment losses, the previously recorded impairment losses are recovered and duly recorded in the profit (loss) statement; however, only in so far as the book value of the investments on the day of reversing the impairment losses does not exceed the amortized cost that would have been recorded if the impairment losses were not recognized in the previous periods.

Financial obligations

Contractual obligations to transfer cash or other financial assets are classified as financial obligations. When assessing financial obligations, the company categorizes them as follows: related to market price and not related to market price.

Financial obligations that are not related to market price

Financial obligations that are not related to market price are comprised of loans and trade payables.

At the time of initial recognition, the financial obligations that are not related to market price are evaluated at their cost and transaction-related expenses are recognized as expenditure in the profit (loss) statement of the reporting period. At later periods, such financial obligations are accounted for at amortized cost by employing the effective interest rate. Short term financial obligations are recorded at their cost, if the application of effective interest rate is insignificant.

Effective interest rate method

The effective interest method is a technique for calculating the amortized cost of financial assets and obligations and appropriation of interest income and expenditure within a certain period of time. Effective interest rate is an interest rate used to precisely discount the evaluated cash flows (including all paid and received taxes that are an integral part of the effective interest rate, transaction related expenses and other payments or discounts) to the net book value at the time of initial recognition within the estimated financial asset and obligation period or (if applicable) a shorter period.

Accounting of lease

Lease is deemed a financial transaction when essentially the entire risk and benefits related to the property are transferred based on the lease conditions.

Company as lessee

The property leased under finance lease is recognized at the value equal to the fair value of leased property at the beginning of the lease period. The respective obligation to the lessor is recorded on the balance sheet as finance lease obligation. The payments made under lease agreement are categorized into financial expenditure and decrease of financial obligation in such a way that a regular interest rate on the residual amount due is reached. Financial expenditure is recorded as expenditure in the profit (loss) statement.

Income from operating lease is recognized under directly proportional method within the entire period of respective lease. The initial direct expenses related to negotiations and coordination of operating lease are added to the value of the leased property recorded on the balance sheet and are

operating lease agreements are accounted for in the profit (loss) statement as expenditure under directly proportional method within the lease period, unless another systematic method is deemed more suitable to reflect the economic benefits received from the leased property in terms of time. Undefined operating lease taxes are recognized as expenditure during the period they were incurred. In case of receiving lease incentives for entering into operating lease agreements, such incentive payments are recognized as obligations. The lease expenditure is decreased by the accumulated incentive benefits under direct linear method, unless another systematic method is deemed more suitable to reflect the economic benefits received from the leased property in terms of time.

Foreign currency

Foreign currency transactions denominated in currencies other than the euro are converted into euros, the official currency exchange rate published by the Bank of Lithuania on the day the transaction is performed. At the end of each reporting period, monetary units denominated in foreign currencies are converted at the exchange rate of that day.

Non-monetary units denominated in foreign currencies at their fair value are converted at the exchange rate of the day that the fair value was determined. Non-monetary items that are carried at foreign currencies at cost are not converted.

Monetary assets and liabilities are translated into euro at the date of the financial statements. Income and expense arising from a change in the currency exchange rate when converting monetary assets or liabilities into euro are included in the income statement for the period.

Deferrals

Deferrals are accounted for only when due to some past event the Company has a legal liability or an irrevocable obligation which is believed to require resources granting economic benefits and when the liability amount can be reliably assessed. An amount recognized as a deferral is the best evaluation necessary to cover the current obligations of the reporting period with respect to the risks and uncertainties arising from the said obligations. When deferrals are evaluated by employing the future cash flows to cover the obligations, the present cash flow value is deemed the book value of such deferrals. When a portion of or the entire economic benefit required to cover the deferrals is expected to be received from a third party, the amount receivable is recognized as assets, if it becomes clear that the compensation is received and the amount receivable may be reliably evaluated.

Recognition of income

Income is recognized when the Company is expected to receive an economic benefit and when such income can be reliably assessed. Income is calculated at fair value less value added tax, returns and discounts.

Sales of goods

Income for the goods sold is recognized if all the conditions below are met:

- The Company transferred a significant portion of goods-related risk and benefits granted by the property to the buyer
- The Company does not manage or control the sold goods to a degree that is associated with ownership.
- The amount of income can be reliably assessed
- The Company is expected to receive transaction-related economic benefits
- The expenses related to the transaction or expenses to be incurred can be reliably assessed.

Provision of services

Income is recognized upon completion of the transaction or when the level of such completion can be reliably assessed prior to generating the balance sheet.

Recognition of expenditure

Expenditure is recorded in the accounting on the basis of the accumulation and comparison principles during the reporting period when the related income is generated, irrespective of the time of payment.

Borrowing costs

Borrowing costs are recognized in the profit and loss account when accumulated.

Corporate tax

The corporate tax expenditure is comprised of the corporate tax of the current year and deferred tax.

Corporate tax of the current year

The corporate tax of the current year is paid with respect to the taxable profit for the year. The taxable profit is different from the profit recorded in the profit (loss) statement because it does not encompass all income or expenditure that are taxable or should be included in the next year. It also does not encompass the articles that are never taxable or included. The corporate tax is calculated by applying the tax rate valid or approved prior to the end of the reporting period. In 2018 year the corporate tax rate applicable to the Company was 15 percent (2017 year - 15 percent)

Financial risk management policy

In its operations, the Company employs the following risk management measures:

Credit risk

The Company has no significant credit risk as the latter is distributed among many buyers.

The credit risk related to money kept in banks is limited as the Company performs all its transactions in banks with high credit ratings granted by foreign rating agencies.

Interest rate risk

The Company has no loans with a fixed interest rate. The Company has no financial instruments, the purpose of which is to manage the risk of interest rate fluctuation.

Liquidity risk

The Company manages its liquidity risk by maintaining sufficient reserves, bank services and reserve credit measures, constantly monitoring the actual and estimated cash flows and coordinating the financial asset and obligation terms.

The Company's policy is based on maintaining sufficient amount of cash and cash equivalents or ensuring financing via credit lines with the purpose to fulfill the obligations listed in the Company's strategic plans.

Foreign exchange risk

The Company has no significant foreign exchange risk. Thus, in 2018 and 2017, the Company did not employ any foreign exchange risk management measures. To manage any foreign exchange risk, the Company concluded credit agreements only in euro. The sale and purchase agreements of the Company are also usually concluded in euro.

Associated parties

An associated party is a legal entity and/or natural person fulfilling at least one of the below listed conditions:

- a) Has either direct or indirect crucial impact on the Company
- b) May have a significant influence on the Company
- c) Jointly controls an object under consortium agreement
- d) It is a Company with crucial impact, the same parent company or the same natural person (their group)
- e) It is an associate company or subsidiary
- f) It is a company controlled under consortium agreement
- g) It is one of the managers of the company or parent company
- h) It is a close family member of the party listed under Clause a), b), c) or g)
- i) It is a company under crucial influence, control or significant influence of any of the parties listed under Clause g) or h)
- j) It is a company accumulating pension payments or other benefits for the employees of the Company or related legal entities and making such payments after the termination of employment agreements

Uncertainties

Contingent liabilities are not recognized in the financial reports, except for contingent liabilities in business combinations. The latter are described in financial reports, except when the probability of losing the resources generating economic benefits is very small.

Contingent assets are not recorded in the financial reports, but it is described when it is probable to receive income or economic benefits.

Post-balance events

Management uses the Company's accounting policies to make estimates, make judgments and assumptions about the carrying amounts of assets and liabilities that are not readily identifiable using other sources. Estimates and related assumptions are based on past experience and other relevant factors. Actual results may differ from the estimates provided.

Ratings and key assumptions are constantly reviewed. The results of the review of accounting estimates are recognized in the period in which the review was performed and the results have affected it or the period of the review and future periods if the review affects current and future periods.

3. Intangible assets

As at December 31, the intangible assets were comprised of the following:

	Develop ment	Prestige	Software	Concessions, patents, licenses, trademarks and similar rights	Other intangible assets	Prepay ments	Total
Acquisition cost	-	-	-	-	-	-	-
As at December 31, 2016	-	-	22,011	-	-	-	22,011
- Acquisitions	-	-	6930	-	-	-	6930
-Transfers and write-offs	-	-	-	-	-	-	-
As at December 31, 2017	-	-	-	-	-	-	22,011
- Acquisitions	-	-	-	-	-	-	6930
-Transfers and write-offs	-	-	-	-	-	-	-
As at December 31, 2018	-	-	-	-	-	-	28,941
Accumulated amortization	-	-	-	-	-	-	-
As at December 31, 2016	-	-	12,776	-	-	-	12,776
- Acquisitions	-	-	6,977	-	-	-	6,997
-Transfers and write-offs	-	-	-	-	-	-	-
As at December 31, 2017	-	-	19,084	-	-	-	19,084
- Acquisitions	-	-	2,349	-	-	-	2,349
-Transfers and write-offs	-	-	-	-	-	-	-
As at December 31, 2018	-	-	21,433	-	-	-	21,433
Residual value	-	-	-	-	-	-	-
As at December 31, 2017	-	-	2,927	-	-	-	2,927
As at December 31, 2018	-	-	7,508	-	-	-	7,508

As at December 31, 2018 and as at December 31, 2017, the Company had no intangible assets that were received for free and used in its operations.

The amortization of the long term intangible assets was accounted for in the profit (loss) statement (Remark 12).

As at December 31, the Company had totally amortized but still used long term intangible assets:

	2018 m.	2017 m.
Software	19043	13,726
Total	19043	13,726

4. Tangible assets

As at December 31, the intangible assets were comprised of the following:

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other equipment, devices and tools	Investment property (land)	Paid in advance and carried out of the construction	Total
Acquisition cost								
As at December 31, 2016	-	-	-	220,050	82,159	458,602	-	760,811
- Acquisitions	-	-	-	61,978	72,810	-	13,382	148,170
- Transfers and write-offs	-	-	-	(47,353)	(1318)	(458,602)	-	(507,273)
As at December 31, 2017	-	-	-	234,675	153,651	-	13,382	401,708
- Acquisitions	-	-	-	41,518	15,097	-	-	56,615
- Transfers and write-offs	-	-	-	(44,891)	(2,663)	-	(13,382)	(60,936)
As at December 31, 2018	-	-	-	231,302	166,085	-	-	397,387
Decrease in value								
As at December 31, 2016	-	-	-	-	-	298,602	-	298,602
Decrease in value	-	-	-	-	-	(298,602)	-	(298,602)
As at December 31, 2017	-	-	-	-	-	-	-	-
Decrease in value	-	-	-	-	-	-	-	-
As at December 31, 2018	-	-	-	-	-	-	-	-
Accumulated amortization								
As at December 31, 2016	-	-	-	104,975	60,361	-	-	165,336
- Acquisitions	-	-	-	38,077	15,683	-	-	53,760
- Transfers and write-offs	-	-	-	(35,514)	(1,317)	-	-	(36,831)
As at December 31, 2017	-	-	-	107,538	74,727	-	-	182,265
- Acquisitions	-	-	-	29,483	29,713	-	-	59,196
- Transfers and write-offs	-	-	-	(37,720)	(2,662)	-	-	(40,382)
As at December 31, 2018	-	-	-	99,301	101,778	-	-	201,079
Residual value								
As at December 31, 2017	-	-	-	127,137	78,924	-	13,382	219,443
As at December 31, 2018	-	-	-	132,001	64,307	-	-	196,308

As at December 31, 2018 and as at December 31, 2017, all long term assets were used in the Company's operations.

The amortization of the long term intangible assets was accounted for in the profit (loss) statement (Remark 12)

As at December 31, the Company had totally amortized but still used long term tangible assets :

	Year 2018	Year 2017
Vehicles	31,801	19,115
Other equipment, devices and tools	26,774	19,835
Total	58,575	38,950

5. Stock

As at December 31, the stock was comprised of:

	Year 2018	Year 2017
Raw materials and consumables	319	5,572
Unfinished production and execution of works	-	-
Production	-	-
Purchased goods for resale	699,764	781,362
Biological assets	-	-
Long term assets for resale	-	-
Prepayments for stock	22,862	10,704
	<u>722,945</u>	<u>797,638</u>
Less: write-down to the possible net realizable value	-	-
Total:	722,945	797,638

As at December 31, 2018, the stock on the balance sheet value of EUR 29 thousand (EUR 43 thousand in 2017) was held by third parties.

6. Amounts receivable within one year

As at December 31, amounts receivable within one year were comprised of:

	Year 2018	Year 2017
Trade debtors	1,074,237	1,216,712
Other amounts receivable	1,146	1,373
	<u>1,075,383</u>	<u>1,218,085</u>
Less: value decrease of bad debts	-	-
Total	1,075,383	1,218,085

7. Cash and money equivalents

As at December 31, cash and money equivalents were comprised of:

	Year 2018	Year 2017
Money in bank	246,699	284,635
Cash on hand	1,474	843
Total	248,173	285,478

8. Authorized capital, legal and other reserves

a) Share capital

As at December 31, 2018 and as at December 31, 2017 year the share capital of the Company was comprised of 11,175 ordinary shares with the par value of EUR 28.96. All shares are fully paid.

The Company did not acquire or transfer its own shares in 2018 and 2017.

b) Legal reserve and other reserves

Legal reserve is a mandatory reserve set forth in the laws of the Republic of Lithuania. No less than 5% of net profit is transferred to the legal reserve until it reaches 10% of the authorized capital. The legal reserve can only be used to cover future losses.

As at December 31, 2018 and as at December 31, 2017, the legal reserve was fully accumulated and amounted to EUR 32,365.

Other reserves are formed based on the decision of the annual meeting of shareholders regarding profit appropriation and are laid out in the Articles of Association of the Company. These reserves can only be used for the purposes approved by the general meeting of shareholders.

9. Draft loss appropriation

	Amount
Profit (loss) brought forward – (loss) – at the end of previous financial year	(1,568,910)
Net result of financial year – (loss)	41,981
Profit (loss) unacknowledged at the Profit (loss) report of the reporting financial year	
Result to be appropriated – (loss) – at the end of financial year	(1,526,929)
Profit appropriation:	
- To reserves set forth in the laws	
- To dividends	
- To the share capital increase	
Profit (loss) brought forward – (loss) – at the end of the financial year	(1,526,929)

10. Sales income

The income from sales received for the year ended on December 31 was as follows:

	Year 2018	Year 2017
Income from sold goods	5,205,140	4,863,117
Income from provided services		1,168
Total	5,205,140	4,864,285

11. Selling expenses

The selling expenses for the year ended on December 31 were as follows :

	<u>Year 2018</u>	<u>Year 2017</u>
Salary for the Sales Department employees	539,881	493,373
Social insurance for the Sales Department employees	157,527	150,119
Advertising	210,463	161,200
Representation	76,182	97,772
Vehicle expenses and fuel	64,560	57,936
Representational expenses	28,189	34,389
Communication expenses	12,609	11,571
Other selling expenses	30,652	40,080
Total	<u>1,120,063</u>	<u>1,046,440</u>

12. General and administrative expenses

The General and administrative expenses for the year ended on
December 31 were as follows :

	<u>Year 2018</u>	<u>Year 2017</u>
Revaluation of the land	-	-
Salary for Documentation Office employees	149,299	169,560
Rental	160,446	154,569
Depreciation and amortization	60,423	56,109
Social insurance for the Documentation Office employees	54,796	56,561
Deferrals for bad debts	-	-
Other General and administrative expenses	237,144	125,297
Total	<u>662,108</u>	<u>562,096</u>

13. Other activities

Other activities for the year ended on December 31 were as follows :

	<u>Year 2018</u>	<u>Year 2017</u>
INCOME FROM OTHER ACTIVITIES		
Profit from transfer of long term assets	3,629	20,373
Accounting of surplus of goods	551	1,267
Other income	26	489
	<u>4,206</u>	<u>22,129</u>
EXPENSES OF OTHER ACTIVITIES		
Accounting of absence of goods	(1540)	-
Other expenses	-	(10)
	<u>(1540)</u>	<u>(10)</u>
Result of other activities:	<u>2,666</u>	<u>22119</u>

14. Transactions of associated parties

The table below details the transactions with associated parties during the year ended on December 31, 2018 :

Associated party	Amounts receivable	Amounts payable	Sales	Purchases
<i>Shareholder</i>				
TECE GmbH	-	3,154,063	-	3,087,546
<i>Companies associated with the shareholder</i>				
TECE Sp. Z.o.o.	-	15,654	-	78,256
OOO TECE Systems	-	-	216,044	-
TECE Italia	-	-	-	1,003
IOOO TECE	-	-	26,589	-
Magus GmbH	-	-	-	10,291
Total	-	3,169,717	242,633	3,177,096

The table below details the transactions with associated parties during the year ended on December 31, 2017 :

Associated party	Amounts receivable	Amounts payable	Sales	Purchases
<i>Shareholder</i>				
TECE GmbH	-	3,317,046	-	3,089,036
<i>Companies associated with the shareholder</i>				
TECE Sp. Z.o.o.	-	19,833	-	76,256
OOO TECE Systems	-	-	218,109	-
IOOO TECE	-	-	31,368	-
Magus GmbH	-	-	-	4,682
Total	-	3,336,879	249,477	3,169,974

The table below details the financial relations with Company managers :

	Year 2018	Year 2017	Residual amount as at December 31, 2018
Amount calculated for company managers and other related parties			
Work-related amounts	174,643	164,791	-
Average number of managers per year	2	2	2

15. Possible future liabilities and obligations

As at December 31, 2018 and as at December 31, 2017, the Company did not take part in any court proceedings that might have significant influence on the financial reports, in the opinion of the management.

16. Continuity of operations

The Company had net profit of EUR 41,981 during the year ended on December 31, 2018 (in comparison to net profit of EUR 19,664 in 2017). As at December 31, 2018, the short-term obligations of the Company exceeded short-term assets by EUR 1,324,506 (EUR 1,390,816 as at December 31, 2017). As at December 31, 2018 and as at December 31, 2017, the Company did not comply with the requirement of Article 38 of the Law on Companies of the Republic of Lithuania stating that equity must comprise 1/2 of the authorized capital.


The question of the own capital adequacy Lithuanian Company Law, management of the company's plans to provide for consideration to the next meeting of shareholders.

The continuity of the Company's economic activities depends on financial support from the shareholder. The Company has received an assurance from its shareholder stating that the latter is able to and shall support the Company financially for at least a year from the day of financial reporting.

17. Post-balance events

After the end of the financial year and until the approval of the financial reports, there were no post-balance events that would be considered significant to financial reporting or should be additionally revealed.


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