

SIA Madara Cosmetics
2015 Annual Report
prepared in accordance with
Latvian statutory requirements,
and Independent auditors' report*

* This version of financial statements is a translation from the original, which was prepared in the Latvian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of financial statements takes precedence over this translation.

Riga, 2016

CONTENTS

	Page
General information about the Comp	3
Management report	4
Financial report	
Income statement	5
Balance sheet	6 - 7
Cash flow statement	8
Statement of changes in equity	9
Notes to the financial statements	10 - 25
Independent auditors' report	26

General information about the Company

Name of the Company	Madara Cosmetics
Legal status of the Company	Limited liability company
Registration number	No 40003844254
Registration place and date	Riga, 28 July 2006
Registered address	Zeltinu Street 131, Marupe, LV-2167
Shareholders	Liene Drāzniece - 8 % Uldis Iltners - 28 % Zane Tamane - 12 % Lote Tisenkopfa - Iltnere - 28 % Paula Tisenkopfa - pieder 4 % daļu ALPS Investments, A/S, Reg No 40103684497 - 20 %
Type of operation NACE kods	Manufacture of perfumes and toilet preparations 20.42
Board of the Company	Lote Tisenkopfa - Iltnere - Chairman of the Board Uldis Iltners - Member of the Board Solvita Kurtiša - Member of the Board
Reporting year	1/1/2015 to 12/31/2015
Previous reporting year	1/1/2014 to 12/31/2014
Related parties information	Madara Retail SIA, reg. No 40103212103 - 100% Cosmetics Nord SIA, reg. No 40103277805 - 100%
Independent Auditors:	Deloitte Audits Latvia SIA Reg. No 40003606960 Licence No 43 4a Gredu Street, Riga, LV-1019, Latvia
Certified Auditor	Jeļena Mihejenkova Certified Auditor Certificate No 166

MANAGEMENT REPORT

Type of operation

The main type of activity of SIA Madara Cosmetics is the production of daily care cosmetics with the brand names "MADARA" and "MOSSA". The company operates in leased premises in 2 Šampētera Street, Riga and 131 Zeltiņu Street, Marupe.

The Company's financial situation and operation in the reporting year

The reporting year has been completed successfully. In 2015, the Company has successfully worked on the sales channels developed in previous years, reaching a 29% increase in turnover compared to 2014, maintaining the growth rate of previous years. The profit of the company has increased along with increase of turnover to EUR 522 867 before income tax.

In 2015, the plant modernization project was successfully completed by the company. The Company's production technologies were modernized and new production lines were installed during the modernization process, which allowed to increase production volumes capacity and introduce new products in production. The new production capacity after modernization is several times higher than before. The production capacity reserve after modernization is sufficient to ensure the current growth rate of the company in the future.

Future prospects and development

In the future, the growth of the Company will be based on the expansion on foreign markets - development of foreign markets, which will consolidate and expand operations in the existing export markets and launch operations in several new markets. In 2015, the Company's organization has been improved to achieve this goal and 15 new jobs have been created. The Company's organization improvement will continue in the future.

Research and development activities

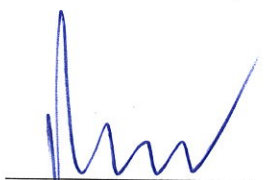
In the reporting year, the Company has continued to implement a research program in cooperation with the "Pharma and Chemical Center of Latvia". The company invested EUR 89 109 in research and development of new products in 2015. The research results will allow to improve existing products and start the production of new competitive products in the coming years.

Events after the balance sheet date

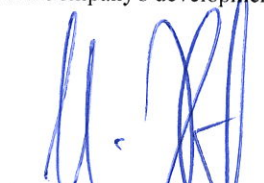
Since the end of the reporting year no material changes have taken place which would not be reflected in the financial statements and would be significant to assess the Company's assets and liabilities, its financial position and the financial result of the reporting year.

Proposal for the Company's profit for the year distribution or loss for the year coverage

According to the management's assessment, the profit for 2015 should be allocated to the Company's development.



Lote Tisenkopfa - Iltnere
Chairman of the Board

Solvita Kurtiša
Member of the Board

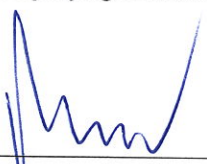
Uldis Iltners
Member of the Board

27 May 2016

INCOME STATEMENT
(by turnover method)

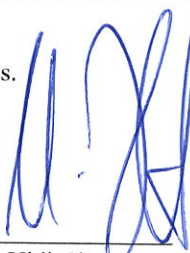
	Note	2015	2014
		EUR	EUR
Net turnover	2	3,915,333	3,025,223
Cost of goods sold	3	(1,837,238)	(1,320,142)
Gross profit		2,078,095	1,705,081
Selling expenses	4	(1,209,243)	(918,525)
Administration expenses	5	(338,510)	(244,835)
Other operating income	6	45,233	31,649
Other operating expenses	7	(21,520)	(85,235)
Interest and similar income	8	36	13,837
Interest and similar expenses	9	(31,224)	(7,041)
Profit before taxes		522,867	494,931
Income tax for the financial year	27	-	(69,610)
Deferred tax	10	(33,849)	(14,776)
Profit for the financial year		489,018	410,545

The accompanying notes on pages 10 to 25 are an integral part of these financial statements.


Lote Tisenkopfa - Iltnere
Chairman of the Board

27 May 2016

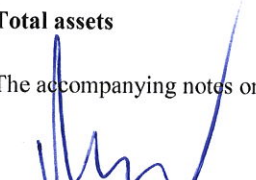

Solvita Kurtiša
Member of the Board

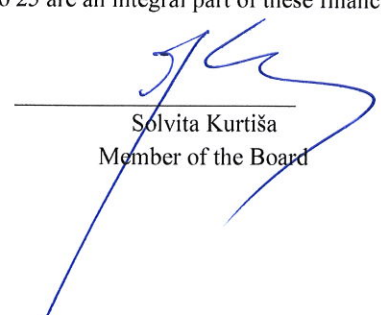

Uldis Iltners
Member of the Board

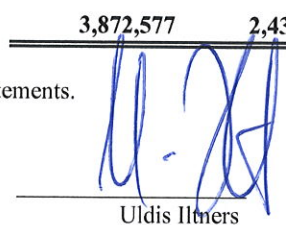
BALANCE SHEET

Assets	Note	12/31/2015 EUR	12/31/2014 EUR
Non-current assets			
Intangible assets			
Concessions, licences, patents, trade marks and similar rights		10,978	9,783
Total intangible assets	11	<u>10,978</u>	<u>9,783</u>
Property, plant and equipment			
Leasehold improvements		-	3,396
Plant and equipment		1,080,019	115,168
Other fixed assets		106,490	97,557
Construction in progress		553,094	-
Prepayments for property, plant and equipment		-	406,585
Total property, plant and equipment	12	<u>1,739,603</u>	<u>622,706</u>
Non-current financial investments			
Investments in subsidiaries	13	5,656	5,691
Other non-current receivables and other receivables	14	40,000	117,117
Other securities and investments	15	256	256
Total non-current financial investments		<u>45,912</u>	<u>123,064</u>
Total non-current assets		<u>1,796,493</u>	<u>755,553</u>
Current assets			
Inventories			
Raw materials	16	462,129	436,106
Finished goods and goods for sale	17	265,494	218,970
Prepayments for inventories		79,933	30,014
Total inventories		<u>807,556</u>	<u>685,090</u>
Receivables			
Trade receivables	18	511,681	389,090
Trade receivables from subsidiaries	19	204,027	211,433
Other receivables	20	197,732	34,712
Deferred expenses		4,299	5,712
Total receivables		<u>917,739</u>	<u>640,947</u>
Cash and cash equivalents	21	<u>350,789</u>	<u>354,673</u>
Total current assets		<u>2,076,084</u>	<u>1,680,710</u>
Total assets		<u>3,872,577</u>	<u>2,436,263</u>

The accompanying notes on pages 10 to 25 are an integral part of these financial statements.


Lote Tisenkopfa - Iltnere
Chairman of the Board


Solvita Kurtiša
Member of the Board

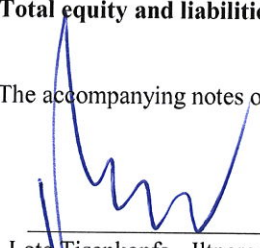

Uldis Iltners
Member of the Board


27 May 2016

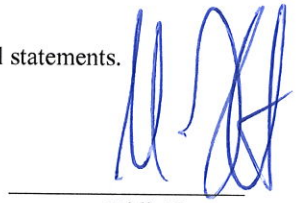
BALANCE SHEET

Equity and liabilities	Note	12/31/2015 EUR	12/31/2014 EUR
Equity			
Share capital	22	106,652	106,715
Share premium		761,236	761,236
Other reserves		63	-
Retained earnings:			
a) prior year retained earnings		903,007	492,462
b) profit for the year		489,018	410,545
Total equity		2,259,976	1,770,958
Provisions			
Other provisions	23	46,882	76,870
Total provisions		46,882	76,870
Liabilities			
Non-current liabilities			
Bank borrowings	24	514,674	169,760
Other liabilities	25	14,862	24,787
Deferred revenue		323,065	-
Deferred tax liabilities	10	58,687	24,838
Total non-current liabilities		911,288	219,385
Current liabilities			
Bank borrowings	24	135,145	22,955
Advances from customers		15,636	5,627
Trade payables		272,089	170,239
Trade payables to subsidiaries	26	1,057	167
Taxes and social insurance contributions	27	26,964	30,708
Other payables	28	58,759	82,738
Deferred revenue		88,926	-
Unpaid dividends		-	45,440
Accrued liabilities		55,855	11,176
Total non-current liabilities		654,431	369,050
Total liabilities		1,565,719	588,435
Total equity and liabilities		3,872,577	2,436,263

The accompanying notes on pages 10 to 25 are an integral part of these financial statements.


Lote Tisenkopfa - Iltnere
Chairman of the Board


Solvita Kurtiņa
Member of the Board

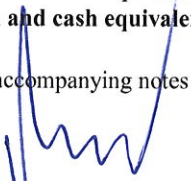

Uldis Iltners
Member of the Board

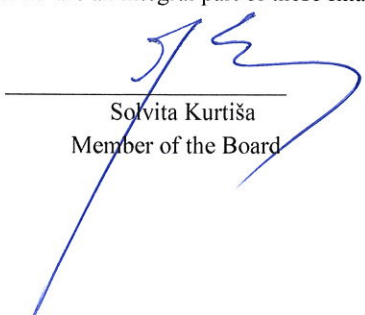
27 May 2016

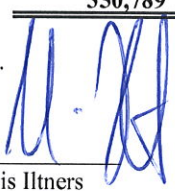
CASH FLOW STATEMENT
(indirect method)

	Note	2015 EUR	2014 EUR
Cash flow of operating activities			
Profit before taxes		522,867	494,931
Corrections:			
Depreciation of fixed assets	12	136,797	107,390
Amortisation of intangible assets	11	3,805	5,338
Fixed assets and intangibles disposals		-	20,701
Revenue from the recognition of ERAF funds	6	(32,622)	(6,051)
Investment value write-off		35	-
Increase/(decrease) in provisions		(29,988)	52,923
Interest and similar income	8	(36)	(12,291)
Interest and similar expenses	9	31,224	7,041
Profit before adjustments for current assets and current liabilities		632,082	669,982
Corrections:			
(Increase)/decrease in receivables		(214,797)	(88,295)
(Increase)/decrease in inventories		(72,547)	47,195
Increase/(decrease) in payables and other payables		181,279	43,105
Gross cash flow of operating activities		526,017	671,987
Interest payments		(31,224)	(7,041)
Income tax payments	27	(89,770)	(84,386)
Net cash flow of operating activities		405,023	580,560
Investment activities cash flow			
Other investments		-	(3,440)
Acquisition of fixed assets and intangible assets		(1,267,731)	(486,759)
Issued loans		-	(70,000)
Proceeds of loan repayments		36,974	109,221
Proceeds of bank guarantee repayment		17,999	-
Received interest		36	12,291
Investment activities cash flow		(1,212,722)	(438,687)
Financing activities cash flow			
Proceeds from ERAF funds		444,613	6,051
Received loans	24	919,605	192,715
Settlement of credit line	24	-	(107,773)
Repaid financial lease liabilities		(52,462)	(68,848)
Dividends paid		(45,440)	(92,391)
Repaid loan	24	(462,501)	-
Financing activities cash flow		803,815	(70,246)
Increase/(decrease) in cash and cash equivalents		(3,884)	71,627
Cash and cash equivalents at the beginning of the reporting year	21	354,673	283,046
Cash and cash equivalents at the end of the financial year	21	350,789	354,673

The accompanying notes on pages 10 to 25 are an integral part of these financial statements.


Lote Tisenkopfa - Iltnere
Chairman of the Board


Solvita Kurtiša
Member of the Board

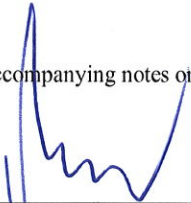

Uldis Iltners
Member of the Board

27 May 2016


STATEMENT OF CHANGES IN EQUITY

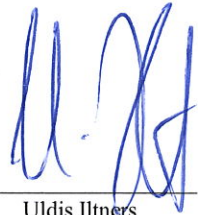
	Share capital	Share premium	Other reserves	Retained earnings	Total equity
	EUR	EUR	EUR	EUR	EUR
Balance as of 31 December 2013	106,715	761,236	-	612,462	1,480,413
Distribution of dividends	-	-	-	(120,000)	(120,000)
Profit for the reporting year	-	-	-	410,545	410,545
Balance as of 31 December 2014	106,715	761,236	-	903,007	1,770,958
Denomination of the share capital	(63)	-	63	-	-
Profit for the reporting year	-	-	-	489,018	489,018
Balance as of 31 December 2015	106,652	761,236	63	1,392,025	2,259,976

The accompanying notes on pages 10 to 25 are an integral part of these financial statements.


 Lote Tisenkopfa - Iltneris
 Chairman of the Board

27 May 2016


 Solvita Kurtiša
 Member of the Board


 Uldis Iltneris
 Member of the Board

NOTES TO THE FINANCIAL STATEMENTS**(1) STATEMENT OF ACCOUNTING POLICIES – GENERAL INFORMATION****Basis of preparation of the financial statements**

These financial statements have been prepared in accordance with the Laws of the Republic of Latvia on Accounting and on Annual Reports. The statement of profit and loss is prepared according to turnover costs method.

These are the Company's stand-alone financial statements. Management believes that consolidation will not provide new additional information, therefore consolidated financial statements are not prepared.

Accounting principles applied

The financial statements have been prepared in accordance with the following policies:

- a) Going concern assumption – the Company will continue as a going concern.
- b) Evaluation principles are consistent with the prior year.
- c) Items have been valued in accordance with the principle of prudence:
 - the financial statements reflect only the profit generated till the date of the balance sheet;
 - all incurred liabilities and current or prior year losses have been taken into consideration even if discovered within the period after the balance sheet date;
 - all impairments and depreciation have been taken into consideration irrespective of whether the financial result was a loss or profit.
- d) Income and expenses incurred during the reporting year have been taken into consideration irrespective of the payment date or date when the invoice was issued or received. Expenses have been matched with revenue for the reporting period.
- e) Asset and liability items have been valued separately.
- f) The opening balance sheet matches the prior year closing balance sheet.
- g) The financial statements contains all items, that have considerable influence in evaluation and economic decision making.
- h) Business transactions are recorded taking into account their economic content and substance, not merely the legal form.

The reporting period

The financial statements cover the period from 1 January to 31 December 2015.

Translation of foreign currencies

The accompanying financial statements are presented in the currency of the European Union, the Euro (hereinafter – EUR), which is the Company's functional and presentation currency.

All transactions denominated in foreign currencies are translated into the EUR at the European Central Bank rate of exchange prevailing on the transaction day. At the balance sheet date monetary assets and liabilities denominated in foreign currencies are translated at the European Central Bank rate of exchange prevailing on 31 December.

	12/31/2015	12/31/2014
USD	1.0887	1.2141
SEK	9.1895	9.3930
GBP	0.7339	0.7789
DKK	7.4626	7.4453

The gain or loss arising from fluctuations in foreign currency exchange rates are recognised in the statement of profit or loss.

Related parties

Related parties are shareholders of the Company and Board members, their close family members and companies controlled by these persons or companies in which these persons have significant influence.

Investments

- Subsidiaries

The subsidiary is the entity controlled directly or indirectly by another company (parent company - more than 50% of the shareholders' voting rights in this company). The parent company controls the subsidiary's financial and business policies.

- Associates

The associate is the entity over which the Company has significant influence (accompanying a shareholding of between 20% and 50% of the shareholders' voting rights in this company), but where the Company has no control over subsidiary's financial and business policies.

Intangible assets and fixed assets

Intangible assets and fixed assets are recognized at their cost of acquisition less depreciation and amortisation. Fixed assets are recognized as assets if their cost of acquisition exceeds EUR 600.

Acquired assets under EUR 600 are recognised as low value inventory.

The cost of fixed assets comprises its purchase price, import duties and non-refundable purchase taxes, any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Only the rights acquired for consideration are recognized as "Concessions, patents, licences, trademarks and similar rights".

Depreciation and amortisation is calculated over the useful life of the asset according to the straight-line method applying the following depreciation rates as the basis of calculation:

Intangible assets:

Licences	20-33	%
Other intangible assets	20	%

Fixed assets:

Machinery	20	%
Hardware and electronic equipment	33	%
Vehicles	20	%
Other fixed assets	20	%

The gain or loss arising from the sale of fixed assets are recognized in the statement of profit or loss for the respective period.

Repair and renovation expenses increasing the useful life or the value of the fixed asset are capitalized and depreciated over their useful life. Other repair and maintenance expenses are charged in income statement of the reporting period they are incurred.

Leasehold improvements are capitalized and are included in the asset's carrying amount. Leasehold improvements are amortised over the shorter of the useful life of the improvement and the term of the lease agreement on a straight-line basis.

Research costs are recognized in the income statement of the reporting period they are incurred. The Company's development costs are capitalized when its future recoverability can reasonably be demonstrated. Amortisation is calculated over the period of development cost recovery.

Impairment of non-current assets

If the value of non-current asset on the balance sheet date is lower than its acquisition value less accumulated depreciation, the asset is valued at its lower value.

Valuation of inventories

The cost of inventories is stated using the weighted average price method.

Inventories are stated at the lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of product completion and selling expenses.

Inventories are recognized at net realisation value by decreasing the cost of inventories by the amount of provisions made.

Receivables

Receivables are recognized according to the amount of initial invoices, less allowances for doubtful debts. Allowances are made if receipt of the full amount of the debt is doubtful. Debts are written off if their recovery is considered as impossible.

Cash and cash equivalents

Cash and cash equivalents includes cash in bank accounts.

Financial instruments

- Non-current loans and claims

is financial assets which are created by the Company by providing money or rendering services directly to the debtor and which are not intended to be sold immediately or in short time period. Loans are recognised initially at cost value which is calculated by adding loan related issuance costs to the loan fair value. Subsequent to initial recognition all loans are stated at amortised cost, using the actual interest rate method. The amortised value is calculated using loan issuance costs as well as any discounts or bonuses related to the loan. The profit or loss arising from amortisation is recognised in the income statement under interest income and expenses. Appropriate provisions are created if an asset is impaired.

- Other non-current financial investments

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity. Loans are recognised initially at cost value which is calculated by adding loan related issuance costs to the loan fair value. Subsequent to initial recognition all loans are stated at amortised cost, using the actual interest rate method.

Available-for-sale financial assets are financial assets which are not issued loans, invoices and held-to-maturity investments. These assets can be sold in order to increase liquidity or interest rates in case of changes in rates or capital value. Available-for-sale financial assets are recognised at fair value. Changes in the carrying amount of available-for-sale financial assets are recognised in the equity under the revaluation reserve. Provisions are created if there is objective indication on impairment of an asset.

- Current financial investments

are financial assets held for sale which are acquired or incurred for the primary purpose of making a profit from short-term fluctuations in price or profit margins. Current financial investments are recognised at fair value. Changes in the carrying amount of current financial investments are recognised in the income statement.

Finance lease liabilities

Finance lease assets initially are recognized at their purchase value, recognizing the same amount of liabilities. Depreciation is calculated within all the economically useful life of the assets. The interest element of lease payments is charged to the income statement so that as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Provisions

Provisions are recognized when there is obligation (legal or constructive) as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Revenue recognition

Revenue from the sale of goods is recognized as soon as a significant portion of ownership rights and risks of goods are transferred to the customer, and the reward can be measured reliably.

Revenue from rendering of services is recognized in proportion to the stage of completion of the order.

Revenue from dividends are recognized when the shareholder's rights arise to receive dividends.

Interest income is recognized in the corresponding period of time.

Corporate income tax

Corporate income tax includes current and deferred taxes. Corporate income tax is recognized in the income statement.

Current corporate income tax is calculated in accordance with the law on Corporate income tax applying a rate of 15% on taxable income generated by the Company during the taxation period.

Deferred corporate income tax is calculated for differences caused by temporary differences, which are caused by differences between the value of assets and liabilities in the financial statements and their value for tax purposes. Deferred tax is calculated by applying 15% tax rate provided in the law. The mentioned differences have mainly occurred due to different depreciation rates of fixed assets, which are used in the tax and financial accounting, for individual non-deductible accruals for tax purposes.

Fair value

The fair value represents the value, at which an asset may be disposed of or liabilities performed under normal market conditions. If, in the opinion of the management, the fair value of financial assets and liabilities may differ substantially from their accounting value, the fair value is disclosed in notes to financial statements.

Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as income and expenses. The management has assessed the income statement and believes that the financial statements give a true and fair view of the financial position of the Company based on all the information currently available.

(2) Net turnover

Turnover is the income received during the year from the Company's main activities - the provision of services without value added tax. Revenue has been generated from the production and sale of cosmetics.

Turnover by geographical markets:

	2015	2014
	EUR	EUR
European Union	2,198,664	1,347,915
Latvia	1,819,003	1,629,799
Other	287,978	322,706
Trade discounts	(392,617)	(276,899)
Other revenue	2,305	1,702
Total	3,915,333	3,025,223

(3) Cost of goods sold

	2015	2014
	EUR	EUR
Materials cost	1,023,921	844,923
Remuneration for work	240,683	159,798
Premises rent and management costs	191,564	76,541
Fixed assets depreciation	101,833	64,227
New products research and development costs	89,109	52,337
Current assets write-off	74,021	34,756
Social security contributions	55,726	39,853
Resource costs	34,383	27,096
Production service costs	22,125	11,589
Other production and production maintenance costs	3,873	9,022
Total	1,837,238	1,320,142

(4) Selling expenses

	2015	2014
	EUR	EUR
Advertising costs	431,561	280,315
Transport costs	202,357	166,695
Remuneration for work	181,938	98,290
Social security contributions	51,290	30,174
Mediation services costs	51,157	35,838
Sample production costs	46,615	38,310
Internet store's WEB page maintenance costs and other IT costs	43,171	15,050
Packaging materials costs	32,739	37,057
Marketing bonus costs	31,727	24,747
Fixed assets depreciation	29,294	34,560
Work trip and exhibitions costs	28,162	61,809
Representation costs	20,660	6,239
ECOSERT quality certificate maintenance costs	12,838	18,755
Royalties	12,150	9,376
Other sales expenses	33,584	61,310
Total	1,209,243	918,525

(5) Administration expenses

	2015	2014
	EUR	EUR
Remuneration for work	120,145	90,100
Office costs	82,951	32,974
ERAF project management costs	27,788	-
Cash outflow related costs	27,307	19,133
Social security contributions	19,979	17,544
Communication costs	12,758	9,809
Accounting and management software maintenance costs	8,654	8,609
Allowance for doubtful receivables (see Note 18)	7,713	1,981
Depreciation and amortisation	6,080	10,546
Audit costs	4,950	5,318
Legal service costs	3,512	3,643
Bank loan management costs	2,211	3,973
Other management and administration costs	14,462	41,205
Total	338,510	244,835

(6) Other operating income

	2015	2014
	EUR	EUR
Revenues from the ERAF project L-APV-14-0111	32,622	-
Revenue from sales of current assets	6,281	4,144
Revenue from rent of premises	3,646	2,554
Other revenues	2,684	18,900
Revenues from the ERAF project L-ATA-14-2226	-	6,051
Total	45,233	31,649

(7) Other operating expenses

	2015	2014
	EUR	EUR
Resold purchased goods and services	8,439	2,445
Nature protection costs	4,304	7,534
Production development projects costs	-	55,129
Donations	-	16,065
Other expenses	8,777	4,062
Total	21,520	85,235

(8) Interest and similar income

	2015 EUR	2014 EUR
Interest on issued loans	-	12,226
Net gain on foreign currency exchange rate fluctuations	-	1,546
Other interest income	36	65
Total	36	13,837

(9) Interest and similar expenses

	2015 EUR	2014 EUR
Interest on borrowings	18,876	2,981
Interest on finance lease	1,513	2,963
Currency exchange rate fluctuations	1,299	-
Factoring fees	680	948
Penalties paid	8,856	149
Total	31,224	7,041

(10) Deferred tax**Deferred tax temporary differences:**

	2015 EUR	2014 EUR
Temporary difference on finance and tax depreciation values of property, plant and equipment	69,378	13,307
Temporary difference on accrual for unused employee vacations	(7,032)	(5,596)
Temporary difference on other accruals	(2,237)	(5,935)
Tax return losses	(1,422)	-
Unrecognised deferred tax decrease	-	(23,062)
Deferred tax liabilities	58,687	(21,286)
At the beginning of the reporting year	24,838	10,062
Recognised deferred tax assets in the reporting year	33,849	14,776
At the end of the reporting year	58,687	24,838

(11) Intangible assets

	Concessions, patents, licenses, trademarks and similar rights	Total intangible assets
	EUR	EUR
Cost as of 31.12.2014	52,597	52,597
Additions	5,000	5,000
Cost as of 31.12.2015	57,597	57,597
 Accumulated amortisation as of 31.12.20	 42,814	 42,814
Charge	3,805	3,805
Accumulated amortisation as of 31.12.20	46,619	46,619
 Net book value as of 31.12.2014	 9,783	 9,783
Net book value as of 31.12.2015	10,978	10,978

(12) Fixed assets movement table

	Leasehold improve- ments	Equipment and machinery	Other fixed assets	Construc- tion in progress	Prepay- ments for property, plant and equipment	Total fixed assets
	EUR	EUR	EUR	EUR	EUR	EUR
Cost as of 31.12.2014	15,916	530,691	255,093	-	406,585	1,208,285
Additions	-	-	-	1,660,279	(406,585)	1,253,694
Disposals	(15,916)	-	-	-	-	(15,916)
Transfers	-	1,060,919	46,266	(1,107,185)	-	-
Cost as of 31.12.2015	-	1,591,610	301,359	553,094	-	2,446,063
Accumulated depreciation as of 31.1	12,520	415,523	157,536	-	-	585,579
Calculated depreciation	3,396	96,068	37,333	-	-	136,797
Disposals	(15,916)	-	-	-	-	(15,916)
Accumulated depreciation as of 31.1	-	511,591	194,869	-	-	706,460
Net book value as of 31.12.2014	3,396	115,168	97,557	-	406,585	622,706
Net book value as of 31.12.2015	-	1,080,019	106,490	553,094	-	1,739,603

(13) Investments in subsidiaries

	12/31/2015	12/31/2014
	EUR	EUR
Acquisition value	5,656	5,691
Investments in subsidiaries:	5,656	5,691

Subsidiary	Participat- ing interest, %	Acquisition value	Carrying amount
Madara Retail SIA	100	2,828	2,828
Cosmetics Nord SIA	100	2,828	2,828
Total		5,656	5,656

Madara Retail SIA, registration number 40103212103, Zeltiņu Street 131, Marupe. Type of operations - cosmetic products retail.

	12/31/2015	12/31/2014
Equity, EUR	1,098	7,583
Result for the financial year, EUR	(6,467)	8,145

Cosmetics Nord SIA, registration number 40103277805, Zeltiņu Street 131, Marupe. Type of operations - cosmetic products wholesale.

	12/31/2015	12/31/2014
Equity, EUR	(11,196)	(14,143)
Result for the financial year, EUR	2,947	9,675

(14) Other non-current receivables and other receivables

	12/31/2015	12/31/2014
	EUR	EUR
Pharma and Chemistry Competence Centre of Latvia	-	117,117
Rent security deposit	40,000	-
Total non-current receivables	40,000	117,117

(15) Other securities and investments

	12/31/2015	12/31/2014
	EUR	EUR
Other investments	256	256
Total	256	256

5% equity interest in Pharma and Chemistry Competence Centre of Latvia.

(16) Raw materials

	12/31/2015	12/31/2014
	EUR	EUR
Net book value of raw materials	477,042	436,106
Allowance for slow moving inventories	(14,913)	-
Total	462,129	436,106

	2015	2014
	EUR	EUR
Created allowances	14,913	-
Allowance for doubtful receivables at the end of reporting year	14,913	-

(17) Finished goods and goods for sale

	12/31/2015	12/31/2014
	EUR	EUR
Cosmetic products	248,574	213,007
Advertising materials	16,920	5,963
Total	265,494	218,970

(18) Trade receivables

	12/31/2015	12/31/2014
	EUR	EUR
Net book value of trade receivables	520,556	426,704
Allowance for doubtful trade receivables	(8,875)	(37,614)
Total	511,681	389,090

	2015	2014
	EUR	EUR
Allowance for doubtful trade receivables at the beginning of the reporting year	37,614	35,633
Allowances created	8,248	1,981
Recovered doubtful receivables	(535)	-
Doubtful receivables write-off	(36,452)	-
Allowance for doubtful trade receivables at the end of the reporting year	8,875	37,614

See also Note 5. Allowance for doubtful trade receivables in the note is formed as an amount from created allowances and recovered doubtful debt amounts.

(19) Trade receivables from subsidiaries

	12/31/2015	12/31/2014
	EUR	EUR
Madara Retail SIA	110,757	131,013
Cosmetics Nord SIA	93,270	80,420
Total	204,027	211,433

(20) Other receivables

	12/31/2015	12/31/2014
	EUR	EUR
CIT overpayment (See also Note 27)	83,462	-
Pharma and Chemistry Competence Centre of Latvia financing	80,143	-
VAT overpayment (See also Note 27)	30,302	-
Payments in PAY PAL system	660	7,384
Bank guarantee	-	17,999
Bail	-	8,918
Other receivables	3,165	411
Total	197,732	34,712

(21) Cash and cash equivalents

	12/31/2015	12/31/2014
	EUR	EUR
Cash in bank accounts	350,789	354,673
Total	350,789	354,673

(22) Share capital

As of 31 December 2014, the registered and fully paid-in share capital of the Company amounts LVL 75,000 (106,715 EUR), and consists of 3 750 shares with a nominal value of LVL 20 (28.45 EUR). In 2015, the share capital is denominated in EUR currency. As of 31 December 2015, the registered and fully paid-in share capital of the Company amounts EUR 106,652, and consists of 3 809 shares with a nominal value of EUR 28.

(23) Other provisions

	12/31/2015	12/31/2014
	EUR	EUR
Accruals for unused employee vacations	46,882	37,306
Provisions for plant design payments	-	39,564
Total	46,882	76,870

(24) Bank borrowings

	12/31/2015	12/31/2014
	EUR	EUR
SWEDBANK loan - agreement No 14-009243	363,088	192,715
SWEDBANK loan - agreement No 14-025534	286,731	-
Total bank borrowings	649,819	192,715

Non-current borrowings

	12/31/2015	12/31/2014
	EUR	EUR
SWEDBANK loan - agreement No 14-009243	291,661	169,760
SWEDBANK loan - agreement No 14-025534	223,013	-
Total non-current borrowings	514,674	169,760

	12/31/2015	12/31/2014
	EUR	EUR
Current borrowings		
SWEDBANK loan - agreement No 14-009243	71,427	22,955
SWEDBANK loan - agreement No 14-025534	63,718	-
Total current borrowings	135,145	22,955
Total bank borrowings	649,819	192,715
Borrowings split by maturity		
	12/31/2015	12/31/2014
	EUR	EUR
Less than 1 year	135,145	22,955
Over 1 year	514,674	169,760
Total borrowings	649,819	192,715
Borrowings split by currency		
	12/31/2015	12/31/2014
	EUR	EUR
EUR	649,819	192,715
Total borrowings	649,819	192,715
Movement in borrowings		
	12/31/2015	12/31/2014
	EUR	EUR
Borrowings at the beginning of the reporting year	192,715	107773
Proceeds from borrowings	919,605	192,715
Repayment of borrowings	(462,501)	(107,773)
Borrowings at the end of the reporting year	649,819	192,715

Borrowings interest rates

As of 31 December 2015, the effective interest rate on the non-current borrowing No 14-009243 was 3 month EURIBOR + 3.3%; on the non-current borrowing No 15-025534 - 3 month EURIBOR + 3.5%; on the credit line facilities - 3 month EURIBOR + 2.5%. Interest on non-used credit line limit amount - 1% per annum.

Borrowings maturity dates

The maturity date of the non-current borrowing No 14-009243 is 22 January 2021, the maturity date of the non-current borrowing No 15-025534 is 22 June 2020. The maturity date of the credit line facilities - 1 July 2016.

Undrawn committed borrowing facilities

As of 31 December 2015, the Company had an access to EUR 142 287 of undrawn credit line facilities.

Pledges

The Company has pledged a portion of its assets as security for bank borrowings. As of 31 December 2015, the Company's assets in amount of EUR 1 340 900 had been pledged to secure agreement No 14-009243 and assets in amount of EUR 420 000 had been pledged to secure agreement No 15-025534.

Bank loan covenants

During the reporting year and as of 31 December 2015, the Company had complied with all loan covenants of the borrowing agreements.

(25) Other non-current liabilities	12/31/2015	12/31/2014
	EUR	EUR
Lease liabilities	14,862	24,787
Total other non-current liabilities	14,862	24,787

(26) Trade payables to subsidiaries	12/31/2015	12/31/2014
Current liabilities	EUR	EUR
Trade payables to subsidiaries	1,057	167
Total	1,057	167

(27) Taxes and social insurance contributions	12/31/2015	12/31/2014
	EUR	EUR
Social insurance contributions	17,597	13,056
Corporate income tax	-	8,226
Personal income tax	9,346	6,836
Value added tax	-	2,588
Risk duty	21	2
Total	26,964	30,708

Type of tax	Balance as of	Calculated	Transfer	Paid	Balance as of
	12/31/2014	2015	2015	2015	12/31/2015
	EUR	EUR	EUR	EUR	EUR
Corporate income tax	8,226	-	(1,918)	(89,770)	(83,462)
Value added tax	2,588	(157,016)	2,539	121,587	(30,302)
Social insurance contributions	13,056	182,076	-	(177,535)	17,597
Personal income tax	6,836	99,637	-	(97,127)	9,346
Risk duty	2	222	-	(203)	21
Total	30,708	124,919	621	(243,048)	(86,800)
Including:					
overpaid	-				(113,764)
liabilities	30,708				26,964

See also Note 20

(28) Other current liabilities	12/31/2015	12/31/2014
	EUR	EUR
Salaries	33,155	23,933
Lease liabilities	17,194	46,094
VAT provisions	-	8,458
Advance payment balance	2,506	1,029
Other liabilities	5,904	3,224
Total other current liabilities	58,759	82,738

(29) Transactions with affiliated companies and related parties during the reporting year

Related party	Sales of goods and services	Purchases of goods and services
Madara Retail SIA	300,308	-
Cosmetics Nord SIA	334,119	-
MC PROPERTIES SIA *	-	610,784
Wolf Candles SIA*	-	13,653
Total	634,427	624,437

* Balances with these parties are included in the balance sheet item "Trade receivables".

(30) Number of employees

	2015	2014
Average number of employees per reporting year	49	37

(31) Information on the remuneration of council and board members

	2015	2014
Total	1,764	2,646

(32) Off-balance sheet liabilities

In 2008, with subsequent amendments, the Company concluded non-residential premises lease agreement with NP Business Center for the lease of production, warehouse and office space. Maturity date of agreement and its amendments are till 2016. In 2015, premises for production and warehouse were leased.

On 17 March 2015, Madara Cosmetics signed a new premises lease agreement for renting production and office space with SIA MC PROPERTIES (registration Number 40103872324), which will replace the previous premises lease agreement. New agreement is concluded till 2025.

On 30 June 2015, a mortgage agreement was signed between Swedbank A/S and MC Properties SIA regarding premises leased to Madara Cosmetics. As a pledge for the agreement stands MC Properties real estate located in Zeltinu street 131, Marupe. Madara Cosmetics is the warrantor of pledge for the total amount of EUR 1'138'461.

(33) Received ERAF financing

In 2015, the Company received the European Union co-financing in connection with participation in the following project of the European Regional Development Fund:

Entrepreneurship and innovation, sub-program - High value-added investments.

Under the terms of the aid agreement, the Parent company has no right to lease, pledge, sell or otherwise encumber equipment and property created through state aid co-financing within 5 years of receipt of the aid amount.

(34) Financial risk management

The Company's activities are exposed to a variety of financial risks: foreign currency risk, interest rate risk, credit risk and liquidity risk

Interest rate risk

The Company has non-current borrowings with variable interest rate from credit institutions. Therefore it is exposed to any changes in interest rates.

Foreign currency risk

Foreign currency risk is the risk of financial losses incurred by the Company due to adverse fluctuations in foreign currency exchange rates. This risk arises when financial assets denominated in a foreign currency do not match financial liabilities in that currency which results in open currency positions. The Company does not have any material balances of financial assets and liabilities denominated in currencies. Therefore, during the reporting year the Company's exposure to foreign currency risk was not significant.

Credit risk

Credit risk is the risk of financial losses incurred as a result of default by a counterparty on its obligation to the Company. Credit risk mainly arises from cash with banks, trade receivables and issued non-current and current loans.

The Company has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to settle its obligations in full as they fall due. Liquidity risk arises when the maturities of financial assets and liabilities do not match. The aim of the Company's liquidity risk management is to maintain sufficient amount of cash and its equivalents, and to insure the availability of funding through sufficient amount of committed bank credit line facilities (see Note 24) to settle its obligations at a given date. The Company assesses the repayment term matching of its financial assets and liabilities and the stability of long-term investment sources of funding on a regular basis.

(35) Post balance sheet events

In February 2016, shareholders of the Company decided to pay a dividend of EUR 120,000.

As of the last day of the reporting year until the date of signing these financial statements there have been no other events requiring adjustment of or disclosure in the financial statements or notes thereto.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of SIA „Madara Cosmetics”

Translation from Latvian

Report on the Financial Statements

We have audited the accompanying financial statements of SIA “Madara Cosmetics” set out on pages 5 to 25 of the accompanying annual report, which comprise the balance sheet as of 31 December 2015, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Law of the Republic of Latvia on Annual Reports, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of SIA “Madara Cosmetics” as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Law of the Republic of Latvia on Annual Reports.

Report on Other Legal and Regulatory Requirements

We have read the management report for 2015 set out on page 4 of the accompanying annual report for 2015 and have not identified any material inconsistencies between the financial information contained in the management report and the financial statements for 2015.

Deloitte Audits Latvia SIA
Licence No. 43

Jelena Mihejenkova
Board member
Certified auditor
Certificate No. 166

Riga, Latvia
15 June 2016

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. Please see www.deloitte.com/lv/about for a more detailed description of DTTL and its member firms.

In Latvia, the services are provided by SIA Deloitte Latvia, SIA Deloitte Audits Latvia and law firm Deloitte Legal (jointly referred to as “Deloitte Latvia”) which are affiliates of Deloitte Central Europe Holdings Limited. Deloitte Latvia is one of the leading professional services organizations in the country providing services in tax, legal, audit and advisory through over 130 national and specialized expatriate professionals.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or their related entities (collectively, the “Deloitte Network”) is, by means of this communication, rendering professional advice or services. No entity in the Deloitte Network shall be responsible for any loss whatsoever sustained by any person who relies on this publication.