



Loucas & Loucas


CERTIFIED PUBLIC ACCOUNTANTS AND REGISTERED AUDITORS


CARLETTA LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2018

Η ΕΚΘΕΣΗ ΤΟΥ ΔΙΟΙΚΗΤΙΚΟΥ ΣΥΜΒΟΥΛΙΟΥ
ΚΑΙ ΤΩΝ ΕΛΕΓΚΤΩΝ ΚΑΙ ΟΙ ΟΙΚΟΝΟΜΙΚΕΣ
ΚΑΤΑΣΤΑΣΕΙΣ ΑΠΟΤΕΛΟΥΝ ΠΙΣΤΟ ΑΝΤΙΓΡΑΦΟ
ΑΥΤΩΝ ΠΟΥ ΕΧΟΥΝ ΚΑΤΑΤΕΘΕΙ ΕΝΩΠΙΟΝ
ΤΗΣ ΓΕΝΙΚΗΣ ΣΥΝΕΛΕΥΣΗΣ.


Irene Emvivalis
Director


Vasiliki Secretaris
Secretary

LOUCAS & LOUCAS AUDITORS LTD

AUDIT • TAX • ADVISORY

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CERTIFIED PUBLIC ACCOUNTANTS AND REGISTERED AUDITORS

CARLETTA LIMITED

FINANCIAL STATEMENTS

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CARLETTA LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 2018

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CARLETTA LIMITED

BOARD OF DIRECTORS AND OTHER OFFICERS

Board of Directors:

Irene Evriviadou

Myrofora Symeou

Company Secretary:

VALIA SECRETARIAL LTD

Independent Auditors:

LOUCAS & LOUCAS AUDITORS LTD
CERTIFIED PUBLIC ACCOUNTANTS AND REGISTERED AUDITORS
12 Demostheni Severi
3rd Floor, Office 302
1080 Nicosia
Cyprus

Registered office:

12 Demostheni Severi
6th Floor, Office 601
1080 Nicosia
Cyprus

Bankers:

Oranetrust S.R.O
Infinity Management and Industries LP

Registration number:

HE360353



Independent Auditor's Report

To the Members of CARLETTA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CARLETTA LIMITED (the "Company"), which are presented in pages 5 to 23 and comprise the statement of financial position as at 31 December 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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Independent Auditor's Report (continued)

To the Members of CARLETTA LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Independent Auditor's Report (continued)

To the Members of CARLETTA LIMITED

Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

Michalis Louca
Certified Public Accountant and Registered Auditor
for and on behalf of
LOUCAS & LOUCAS AUDITORS LTD
CERTIFIED PUBLIC ACCOUNTANTS AND REGISTERED
AUDITORS
12 Demostheni Severi
3rd Floor, Office 302
1080 Nicosia
Cyprus

Nicosia, 5 March 2020

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CARLETTA LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 €	2017 €
Revenue			
Gross profit	8	15,873	-
		15,873	-
Administration expenses	9	(10,770)	(1,685)
Other expenses	10	-	(150)
Operating profit/(loss)		5,103	(1,835)
Profit/(loss) before tax		5,096	(1,835)
Tax	13	(566)	-
Net profit/(loss) for the year		4,530	(1,835)
Other comprehensive income		-	-
Total comprehensive income for the year		4,530	(1,835)

The notes on pages 9 to 23 form an integral part of these financial statements.

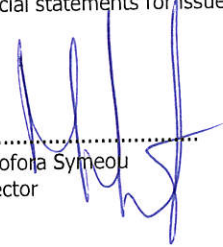
CARLETTA LIMITED

STATEMENT OF FINANCIAL POSITION 31 December 2018

	Note	2018 €	2017 €
ASSETS			
Non-current assets			
Current assets			
Cash at bank	14	<u>529,086</u>	-
		<u>529,086</u>	-
Total assets		<u>529,086</u>	-
EQUITY AND LIABILITIES			
Equity			
Share capital	15	<u>1,000</u>	1,000
Retained earnings /(accumulated losses)		<u>2,695</u>	(1,835)
Total equity		<u>3,695</u>	(835)
Current liabilities			
Trade and other payables	16	<u>524,825</u>	835
Current tax liabilities	17	<u>566</u>	-
		<u>525,391</u>	835
Total equity and liabilities		<u>529,086</u>	-

On 5 March 2020 the Board of Directors of CARLETTA LIMITED authorised these financial statements for issue.


Irene Evriviadou
Director


Myrofora Symeou
Director

The notes on pages 9 to 23 form an integral part of these financial statements.

CARLETTA LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Note	Share capital €	Accumulated losses €	Total €
Comprehensive income				
Net loss for the year		-	(1,835)	(1,835)
Total comprehensive income for the year		-	(1,835)	(1,835)
Transactions with owners				
Issue of share capital	15	1,000	-	1,000
Total transactions with owners		1,000	-	1,000
Balance at 31 December 2017/ 22 September 2016		1,000	(1,835)	(835)
Comprehensive income				
Net profit for the year		-	4,530	4,530
Total comprehensive income for the year		-	4,530	4,530
Balance at 31 December 2018		1,000	2,695	3,695

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 9 to 23 form an integral part of these financial statements.

CARLETTA LIMITED

CASH FLOW STATEMENT

For the year ended 31 December 2018

	Note	2018 €	2017 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		5,096	(1,835)
Adjustments for:			
Unrealised exchange loss		7	-
		<u>5,103</u>	<u>(1,835)</u>
Changes in working capital:			
Increase in trade and other payables		523,990	835
Cash generated from/(used in) operations		<u>529,093</u>	<u>(1,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital		-	1,000
Unrealised exchange (loss)		(7)	-
Net cash (used in)/generated from financing activities		<u>(7)</u>	<u>1,000</u>
Net increase in cash and cash equivalents		529,086	-
Cash and cash equivalents at beginning of the year		-	-
Cash and cash equivalents at end of the year	14	<u>529,086</u>	<u>-</u>

The notes on pages 9 to 23 form an integral part of these financial statements.

CARLETTA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. Incorporation and principal activities

Country of incorporation

The Company CARLETTA LIMITED (the "Company") was incorporated in Cyprus on 22 September 2016 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at 12 Demostheni Severi, 6th Floor, Office 601, 1080 Nicosia, Cyprus.

Principal activities

The Company's activity is the offering of administration services and payment agent services.

Recent volatility in global financial markets

According to the Cyprus Statistical Service, economic growth for 2016 was estimated at + 2,8% compared to 2015. Even though the financial services sector showed negative growth, there has been an increase in the Gross Domestic Product which is mainly attributed to the hotels, construction, manufacturing and the wholesale and retail trade sectors. The economic growth was mainly driven by the increase in private consumption, which benefited from the reduction in unemployment and the consequent increase in disposable income. The growth was also supported by the slower pace of reductions in public spending and the increase in investments. On 17 March 2017 the credit rating of the country rose from BB to BB +."

Despite the significant steps towards economic recovery, a degree of uncertainty still exists, as certain issues remain to be resolved, such as the high index of non-performing loans, the high unemployment and the implementation of privatization and reforms of the public services sector.

This operating environment may have a significant impact on the Company's operations and financial position. Management is taking necessary measures to ensure sustainability of the Company's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results.

To the extent that information is available, Management has reflected revised estimates of expected future cash flows in its impairment assessments. Management is unable to reliably estimate the effects on the Company's financial position of any further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and growth of the Company's business in the current circumstances.

2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The financial statements have been prepared under the historical cost convention as modified by the revaluation of and investment property.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3. Adoption of new or revised standards and interpretations

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 22 September 2016. This adoption did not have a material effect on the accounting policies of the Company.

4. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. Apart from the accounting policy changes resulting from the adoption of IFRS 9 and IFRS 15 effective from 1 January 2018, these policies have been consistently applied to all the years presented, unless otherwise stated. The principal accounting policies in respect of financial instruments and revenue recognition applied till 31 December 2017 are presented in note 22.

Revenue

Recognition and measurement

Revenue represents the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); the transaction price. The Company includes in the transaction price an amount of variable consideration as a result of rebates/discounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for rebates and discounts are based on the Company's experience with similar contracts and forecasted sales to the customer.

The Company recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Company can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Company's future cash flows is expected to change as a result of the contract), it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of the Company's contracts with customers.

The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Company considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the statement of profit or loss and other comprehensive income in the period in which the circumstances that give rise to the revision become known by management.

Identification of performance obligations

The Company assesses whether contracts that involve the provision of a range of goods and/or services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A good or service that is promised to a customer is distinct if the customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer (that is the good or service is capable of being distinct) and the Company's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (that is, the good or service is distinct within the context of the contract).

CARLETTA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Significant accounting policies (continued)

Revenue recognition (continued)

- **Rendering of services**

Revenue from rendering of services is recognised over time while the Company satisfies its performance obligation by transferring control over the promised service to the customer in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Finance costs

Finance expenses include unrealised exchange differences which are charged to profit or loss as incurred.

Foreign currency translation

(1) **Functional and presentation currency**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Company's functional and presentation currency.

(2) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Tax

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

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority.

Financial assets - Classification

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

CARLETTA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Significant accounting policies (continued)

Financial assets - Classification (continued)

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, classification will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Financial assets - Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets - impairment - credit loss allowance for ECL

From 1 January 2018, the Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

CARLETTA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Significant accounting policies (continued)

Financial assets - impairment - credit loss allowance for ECL (continued)

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within "net impairment losses on financial and contract assets".

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the statement of financial position.

For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

Expected losses are recognised and measured according to one of two approaches: general approach or simplified approach.

For trade receivables including trade receivables with a significant financing component and contract assets and lease receivables the Company applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

For all other financial asset that are subject to impairment under IFRS 9, the Company applies general approach - three stage model for impairment. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to note 6, Credit risk section, for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in note 6, Credit risk section.

Additionally the Company has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to note 6, Credit risk section for a description of how the Company determines low credit risk financial assets.

Financial assets -Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

Financial assets - write-off

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

CARLETTA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Significant accounting policies (continued)

Financial assets - modification

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Financial assets at amortised cost

These amounts generally arise from transactions outside the usual operating activities of the Company. These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

Trade and other payable

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the Company if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

CARLETTA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

4. Significant accounting policies (continued)

Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

Share capital

Ordinary shares are classified as equity.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

5. New accounting pronouncements

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.

6. Financial risk management

Financial risk factors

The Company is exposed to interest rate risk, credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

6.1 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

6.2 Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and contract assets.

(i) Risk management

Credit risk is managed on a group basis.

CARLETTA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. Financial risk management (continued)

6.2 Credit risk (continued)

(i) Risk management (continued)

For banks and financial institutions, only independently rated parties with a minimum rating of 'C' are accepted. If customers are independently rated, these ratings are used.

Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits and credit terms are set based on the credit quality of the customer in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

(ii) Impairment of financial assets

The Company has the following types of financial assets that are subject to the expected credit loss model:

- cash and cash equivalents

6.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

31 December 2018	Carrying amounts €	Contractual cash flows €	3 months or less €	3-12 months €	1-2 years €	2-5 years €	More than 5 years €
Trade and other payables	515,955	19,330	-	19,330	-	-	-
Payables to related parties	3,515	3,515	-	3,515	-	-	-
	519,470	22,845	-	22,845	-	-	-

31 December 2017	Carrying amounts €	Contractual cash flows €	3 months or less €	3-12 months €	1-2 years €	2-5 years €	More than 5 years €
Payables to related parties	145	145	-	145	-	-	-
	145	145	-	145	-	-	-

6.4 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the USD and the RUB. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The Company's exposure to foreign currency risk was as follows:

CARLETTA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

6. Financial risk management (continued)

31 December 2018

	Euro €	United States Dollars €	Russian Rubbles €
Assets			
Cash at bank	16,833	116	152
	16,833	116	152
Liabilities			
Trade and other payables	(27,924)	(117)	(159)
	(27,924)	(117)	(159)
Net exposure	(11,091)	(1)	(7)

31 December 2017

	Euro €
Liabilities	
Other payables	(835)
	(835)
Net exposure	(835)

6.5 Capital risk management

Capital includes equity shares and share premium, convertible preference shares and loan from parent company.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

7. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

• Income taxes

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

CARLETTA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

7. Critical accounting estimates and judgments (continued)

Critical judgements in applying the Company's accounting policies

- **Impairment of financial assets**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 6, Credit risk section.

8. Revenue

(a) Disaggregation of revenue from contracts with customers

Analysis of revenue by category under revenue recognition guidance effective from 1 January 2018:

	2018 €
Rendering of services	<u>15,873</u>
	<u>15,873</u>

9. Administration expenses

	2018 €	2017 €
Annual levy	350	350
Courier expenses	440	45
Auditors' remuneration	3,213	-
Accounting fees	2,142	690
Other professional fees	4,025	-
Management fees	600	600
	<u>10,770</u>	<u>1,685</u>

10. Other expenses

	2018 €	2017 €
Incorporation expenses	-	150
	<u>-</u>	<u>150</u>

11. Expenses by nature

	2018 €	2017 €
Auditors' remuneration	3,213	-
Other expenses	7,557	1,835
Total expenses	<u>10,770</u>	<u>1,835</u>

CARLETTA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

12. Finance costs

	2018 €	2017 €
Finance costs		
Net foreign exchange losses		
Unrealised foreign exchange loss	<u>7</u>	<u>-</u>
	<u>7</u>	<u>-</u>

13. Tax

	2018 €	2017 €
Corporation tax	<u>566</u>	<u>-</u>

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

	2018 €	2017 €
Profit/(loss) before tax	<u>5,096</u>	<u>(1,835)</u>
Tax calculated at the applicable tax rates	637	(229)
Tax effect of expenses not deductible for tax purposes	45	62
Tax effect of tax losses brought forward	(167)	-
Tax effect of tax loss for the year	-	167
10% additional charge	<u>51</u>	<u>-</u>
Tax charge	<u>566</u>	<u>-</u>

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

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

14. Cash at bank

Cash balances are analysed as follows:

	2018 €	2017 €
Cash at bank	<u>529,086</u>	<u>-</u>
	<u>529,086</u>	<u>-</u>

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 6 of the financial statements.

CARLETTA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

15. Share capital

	2018 Number of shares	2018 €	2017 Number of shares	2017 €
Authorised				
Ordinary shares of €1 each	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Issued and fully paid				
Balance at 22 September/1 January	<u>1,000</u>	<u>1,000</u>	-	-
Issue of shares	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
Balance at 31 December	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>

16. Trade and other payables

	2018 €	2017 €
Agents	513,220	-
Shareholders' current accounts - credit balances (Note 18.2)	3,515	145
Accruals (1)	5,355	690
Other creditors	<u>2,735</u>	<u>-</u>
	<u>524,825</u>	<u>835</u>

(1) Accrual expenses as at 31 December 2018 represent accounting fees €2,142 and audit fees of €3,213.

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

17. Current tax liabilities

	2018 €	2017 €
Corporation tax	<u>566</u>	<u>-</u>
	<u>566</u>	<u>-</u>

18. Related party transactions

As at 31 December 2018 the Company's shares were wholly owned by CARLETTA N.V registered in Curacao.

The following transactions were carried out with related parties:

18.1 Payables to related parties (Note 16)

Name	Nature of transactions	2018 €	2017 €
CARLETTA N.V	Payable to Principal under Agent Agr.	<u>513,220</u>	<u>-</u>
		<u>513,220</u>	<u>-</u>

CARLETTA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. Related party transactions (continued)

18.2 Shareholders' current accounts - credit balances (Note 16)

	2018	2017
	€	€
Shareholders' current account	3,515	145
	<u>3,515</u>	<u>145</u>

The shareholders' current accounts are interest free, and have no specified repayment date.

19. Significant agreements with management

At the end of the year, no significant agreements existed between the Company and its Management.

20. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2018 and 31 December 2017.

21. Commitments

The Company had no capital or other commitments as at 31 December 2018 and 31 December 2017.

22. Accounting policies up to 31 December 2017

Accounting policies applicable to the comparative period ended 31 December 2017 that were amended by IFRS 9 and IFRS 15, are as follows.

Revenue recognition

Revenue comprises the invoiced amount for the sale of goods and services net of Value Added Tax, rebates and discounts. Revenues earned by the Company are recognised on the following bases:

- **Rendering of services**

Sales of services are recognised in the accounting period in which the services are rendered by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

CARLETTA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

22. Accounting policies up to 31 December 2017 (continued)

Financial instruments (continued)

Financial assets

The Company classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition.

- **Financial assets at fair value through profit or loss**

This category has two sub-categories: financial assets held at fair value through profit or loss and those designated at fair value through profit or loss at inception. A financial asset is classified in the held at fair value through profit or loss category if acquired principally for the purpose of generating a profit from short-term fluctuations in price. Assets in this category are classified as current assets if they are either held at fair value through profit or loss or are expected to be realised within twelve months from the reporting date.

- **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and for which there is no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the reporting date. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

- **Held-to-maturity investments**

Investments with fixed or determinable payments and fixed maturity that the Management has the positive intent and ability to hold to maturity, other than loans and receivables originated by the Company, are classified as held-to-maturity investments. Such investments are included in non-current assets, except for maturities within twelve months from the reporting date, which are classified as current assets.

- **Available-for-sale financial assets**

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale; these are included in non-current assets unless Management has the express intention of holding the investment for less than 12 months from the reporting date or unless they will need to be sold to raise operating capital, in which case they are included in current assets.

Regular way purchases and sales of investments are recognised on the trade-date which is the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are included in profit or loss in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income and then in equity. When available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments are included in profit or loss.

CARLETTA LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

22. Accounting policies up to 31 December 2017 (continued)

Financial instruments (continued)

Financial assets (continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis, making maximum use of market inputs and relying as little as possible on entity specific inputs. Equity investments for which fair values cannot be measured reliably are recognised at cost less impairment.

The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale securities the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss, is removed from equity and recognised in profit or loss.

For financial assets measured at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

23. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements.

Independent auditor's report on pages 2 to 4

CARLETTA LIMITED

ADDITIONAL INFORMATION TO THE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

CONTENTS

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Detailed income statement

2

Selling and distribution expenses

3

Finance expenses

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CARLETTA LIMITED

DETAILED INCOME STATEMENT

For the year ended 31 December 2018

	Page	2018 €	2017 €
Revenue			
Rendering of services		15,873	-
Operating expenses			
Administration expenses	3	<u>(10,770)</u>	<u>(1,685)</u>
		5,103	(1,685)
Other operating expenses			
Incorporation expenses		<u>-</u>	<u>(150)</u>
Operating profit/(loss)		5,103	(1,835)
Finance costs	4	<u>(7)</u>	-
Net profit/(loss) for the year before tax		<u>5,096</u>	<u>(1,835)</u>

CARLETTA LIMITED

SELLING AND DISTRIBUTION EXPENSES

For the year ended 31 December 2018

	2018 €	2017 €
Administration expenses		
Annual levy	350	350
Courier expenses	440	45
Auditors' remuneration	3,213	-
Accounting fees	2,142	690
Other professional fees	4,025	-
Management fees	600	600
	<u>10,770</u>	<u>1,685</u>

CARLETTA LIMITED

FINANCE EXPENSES

For the year ended 31 December 2018

	2018 €	2017 €
Finance costs		
Net foreign exchange losses		
Unrealised foreign exchange loss	<u>7</u>	<u>-</u>
	<u>7</u>	<u>-</u>

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