

Ergopack LLC

Financial statements

for the year ended 31 December 2021

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Ref. № 35-3
as of 15.04.2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of the Ergopack LLC

Opinion

We have audited financial statements of the Ergopack LLC (further – the Company), which comprise the Statement of financial position as at 31.12.2021, Statement of profit or loss and other comprehensive income, Statement of cash flows, and Statement of changes for the period in company's equity for the year then ended, and Notes to the annual financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and meets the requirements of the Law of Ukraine "On Accounting and Financial Reporting in Ukraine" as of 16.07.1999, No. 996-XIV (further - the Law of Ukraine No. 996-XIV) on the preparation of financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 27 of the financial statements, which describes the effects of a military invasion of Ukraine by Russian Federation starting from February 24, 2022. Taking into account that its course could significantly affect the country's operating environment and the final settlement cannot be predicted with sufficient certainty, Company has decided to continue monitor the situation and ready to make adjustments to its financial statements as soon as the impact of military action on assets and liabilities becomes clear.

Our opinion is not modified in respect of this matter.

Other information

Management is responsible for other information. Other information consists of information contained in the Management Report in accordance with the Law of Ukraine No. 996-XIV, but it is not the financial statements for 2021 and our auditor's report thereon.

Our opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of financial statements, our responsibility to familiarize ourselves with other information and at the same time consider whether there is a material inconsistency between other information and financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on our work performed, we come to the conclusion that there is a material misstatement of this other information, we are required to report this fact. We did not find any facts that should have been included in the report.

The management report provided by the Management of the Company is consistent with the financial statements of the Company for 2021.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud and error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 of the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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, misinterpretations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the requirements of other legislative and regulatory acts

In addition to the requirements of the International Standards on Auditing, in the Independent Auditor's Report we also provide information in accordance with Part 4 of the Article 14 of the Law of Ukraine "On the Audit of Financial Statements and Auditing Activities" as of 21.12.2017 No. 2258-VIII:

Appointment of an auditor and overall duration of powers extension

We were appointed for the fourth time as an auditor to conduct an audit of financial statements of the Company. By the decision of the Member of the Company as of October 01, 2021, based on the results of the competition for the selection of subjects of audit activity, we were appointed as a subject of audit activity to provide services for the statutory audit of the financial statements of the Company for 2021.

The duration of the going exercise of powers to conduct statutory audit of the financial statements of the Company is 4 years.

On the agreement of the Independent Auditor's Report with an additional report to the audit committee

We confirm that this report is consistent with the additional report to the audit committee.

Provision of non-audit services

We inform that we did not provide the Company with any services prohibited by law or any non-audit services.

Explanation of audit performance in terms of detecting violations, in particular related to fraud

According to ISA 315 "Identifying and Assessing of the Risks of Material Misstatement through Understanding the Entity and its Environment", we performed the procedures necessary to obtain the information that was used to identify the risks of material misstatement as a result of fraud in accordance with ISA 240 "The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements".

We submitted inquiries to the Management and other employees of the Company, which, in our opinion, may contain information that is likely to help identify the risks of material misstatement due to fraud or error. We performed analytical procedures, including, substantive, using detailed data, observations, and others. We gained an understanding of the external factors of the Company's activities, its ownership structure and corporate governance, the structure and method of financing, accounting policies, goals and strategies and associated business risks, assessment and review of financial results.

According to ISA 450 "Evaluation of misstatements identified during the audit", we considered issues related to the selection and application of accounting policies and accounting estimates, determining their impact on the reporting as a whole. We evaluated their impact on reporting.

We also conducted analytical procedures to analyze liquidity and solvency indicators.

The scope of our audit was not limited in any way and we were given access to all the necessary information.

We did not identify fraud and did not obtain evidence of circumstances that could indicate that the financial statements could be materially misstated due to fraud or error.

The engagement partner on the audit resulting in this independent auditor's report is Valerii Bondar.

Engagement Partner on the audit

HLB UKRAINE LLC

11/11 Gusovskogo Street, office 3, Kyiv, Ukraine

April 15, 2022



Valerii BONDAR

Statement of financial position

(in thousands of Ukrainian hryvnias)

	Note	As at 31.12.2021	As at 31.12.2020
Tangible Fixed Assets	5	197 919	213 043
Intangible Fixed Assets	6	28 459	28 389
Rights of use	7	21 257	22 310
Non current assets		247 635	263 742
Inventories	8	178 184	204 037
Trade receivables	9_14	319 994	267 095
Other receivables	9_14	14 543	26 249
Cash & cash equivalents	10	26 396	32 221
Prepayments and accrued income		342	859
Current assets		539 459	530 461
Total assets		787 094	794 203
Share capital	11	736 491	736 491
Reserves	12	40 395	37 549
Carried forward Results		(138 314)	(169 512)
Equity		638 572	604 527
Long Term Lease Liabilities	7	19 879	20 803
Deferred tax liability		3 892	1 177
Non current liabilities		23 771	21 981
Trade payables	15	105 807	130 665
Other payables	15	3 976	4 790
Tax Liabilities	16	1 855	5 777
Short Term Lease Liabilities	7	1 993	1 917
Provision	17	11 120	24 545
Current liabilities		124 751	167 695
Total Equity and Liabilities		787 094	794 203

Andriy Dikunov
Director, Ergopack LLC



Statement of profit or loss and other comprehensive income

<i>(in thousands of Ukrainian hryvnias)</i>	Note	As at 31.12.2021	As at 31.12.2020
Revenue	18	939 427	905 041
Cost of sales	19	(672 351)	(604 625)
Gross operating profit		267 076	300 416
Other Operating Income		475	2 155
Administrative Expenses	20	(47 789)	(47 442)
Distribution Expenses	21	(181 301)	(204 717)
Operational FX income/(expenses)		747	11 752
Operating profit (loss)		39 208	62 164
Financial Income	23		
Financial Expenses	23	(2 367)	(31 918)
Earning (loss) before taxes		36 840	30 246
Income Tax	24	(5 642)	(5 675)
Net profit (loss)		31 198	24 571
Other comprehensive income (loss)			
Revaluation of land and buildings		3 471	5 166
FX from statute capital growth		-	(1 499)
Related income tax		(625)	(930)
Other comprehensive income		2 846	2 737
Total comprehensive income (loss)		34 044	27 308

Andriy Dikunov
Director, Ergopack LLC



Statement of cash flows

(in thousands of Ukrainian hryvnias)

	As at 31.12.2021	As at 31.12.2020
Cash flows from Operating Activities		
Profit before Tax	36 840	30 246
Adjustments:		
Depreciation & amortization	30 289	28 365
Foreign exchange differences	-	27 873
Interest expense and other related expenses	2 047	3 876
Gain/Loss from fixed assets sale	(50)	5 789
Expected credit losses of trade receivables and contract assets	(87)	1 037
Interest income and other related income	(158)	(312)
Operational Inflows before Working Capital	68 881	96 875
Plus/minus adjustments for changes in working capital accounts		
Decrease / (increase) in inventories	25 853	(42 041)
Decrease / (increase) in receivables	(40 588)	(27 546)
(Decrease) / increase in liabilities (other than to banks)	(41 133)	(44 096)
Interest and other related expenses, paid	(1 491)	(1 852)
Income Tax Paid	(4 968)	(8 575)
Net inflows / (outflows) from operating activities	6 554	(27 235)
Cash flows from Investment Activities		
Acquisition of tangible and intangible assets	(9 046)	(22 831)
Revenues from sale of tangible and intangible assets	50	2 242
Interest received	147	299
Net inflows / (outflows) from investment activities	(8 849)	(20 290)
Cash flows from Financial Activities		
Lease ROU	(3 529)	(3 318)
Loan and interest payments to Related Parties (decrease)	-	(453 180)
Income from share capital increase	-	517 448
Net inflows / (outflows) from financial activities	(3 529)	60 950
Effect of FX differences on cash	(3)	6
Net increase / decrease in cash and cash equivalents for the period	(5 828)	13 431
Cash and cash equivalents, beginning of the period	32 221	18 795
Cash and cash equivalents, end of the period	26 396	32 221



Statement of changes for the period in company's equity

(in thousands of Ukrainian hryvnias)

	Share capital	Reserves	Carried forward Results	Total
Balances as at 31 December 2019	217 543	34 812	(194 082)	58 272
Comprehensive income (loss)				
Net profit for the year	-	-	24 571	24 571
Other comprehensive income (loss)				
Revaluation of land and buildings	-	5 166	-	5 166
Related income tax	-	(930)	-	(930)
Total comprehensive income (loss) for the year	-	4 236	24 571	28 807
Transactions with shareholders				
Share capital increase	518 948	(1 499)	-	517 449
Total transactions with shareholders	518 948	(1 499)	-	517 449
Balances as at 31 December 2020	736 491	37 549	(169 512)	604 527
Balances as at 31 December 2020	736 491	37 549	(169 512)	604 527
Comprehensive income (loss)				
Net profit for the year	-	-	31 198	31 198
Other comprehensive income (loss)				
Revaluation of land and buildings	-	3 471	-	3 471
Related income tax	-	(625)	-	(625)
Total comprehensive income (loss) for the year	-	2 846	31 198	34 044
Transactions with shareholders				
Share capital increase	-	-	-	-
Total transactions with shareholders	-	-	-	-
Balances as at 31 December 2021	736 491	40 395	(138 314)	638 572

Andriy Dikunov
Director, Ergopack LLC



Notes on the financial statements

1 Background

(a) Organisation and operations

These financial statements are prepared by Ergopack LLC involved in the production and trading of household goods.

Ergopack LLC was incorporated in Ukraine on 20 February 2001 as a limited liability company. The head office is located at 36, the Sobornosti str. Boyarka town, 08154, Kiyv region, Ukraine

Ivybridge Ventures Limited (Cyprus) owned 100% of share capital of Ergopack LLC.

GR SARANTIS CYPRUS LTD was absorbed by the parent company GR. SARANTIS SA on December 30, 2019

Gr.Sarantis SA Company owns 100% of share capital of Ivybridge Ventures Limited (Cyprus).

Gr. Sarantis SA has the legal form of a société anonyme and is the parent company of the Gr.Sarantis SA Company.

The Gr. Sarantis SA domicile is located at 26 Amarousiou – Chalandriou Street, Marousi Greece, The Company's central offices are also located at the same address. The shares of Gr. Sarantis SA are listed on the main market of the Athens Exchange.

Ergopack LLC principal activity is production of household consumer products at a plant located in Kaniv, Ukraine, and their distribution. These products are sold in Ukraine and abroad. Raw materials are supplied both by domestic companies and by foreign companies. Major customers are supermarkets, wholesale traders, private entrepreneurs.

The number of employees as at 31 December 2021 and 2020 is 500 and 626 respectively.

(b) Ukrainian business environment

Economy of Ukraine is in development stage and is characterized by relatively high economic and political risks. The future stability of the Ukrainian economy depends to a large extent on the reforms and effectiveness of the economic, financial and monetary measures taken by the government, as well as changes in the tax, legal, regulatory and political spheres. The developing economy is being negatively affected by the downturn in the market and the economic downturn in other parts of the world. The economic situation in Ukraine was characterized by instability due to the devaluation of the Ukrainian hryvnia against major world currencies. The Government of Ukraine has introduced a number of restrictions on foreign exchange transactions, which are aimed on stabilizing the exchange rate of the national currency.

Restrictions imposed in Ukraine in connection with the COVID-19 pandemic do not have a direct material impact on the Company's operations. The situation in the world and in Ukraine, having all the signs of an economic crisis, will have some impact on the Company's activities, but the Company has sufficient cash flow to meet its obligations. The company does not plan to apply for financial support to government programs designed to support business.

The health and safety of employees remain the focus of management. The company continues to monitor the level of COVID-19 threats and assess the potential risks to the health of its employees, using all existing monitoring systems. The measures taken did not reduce the company's revenue and volume of operations.

These financial statements reflect the current evaluation of management personnel on the impact of the conditions of operations in Ukraine on the operating activities and financial position of the Company. Future business conditions may differ from management evaluations.

The Company's management monitors the development of the current situation and takes measures, if necessary, to minimize any negative consequences as much as possible. Further negative developments in political, macroeconomic and/or foreign trade conditions may adversely affect the financial condition and results of the activity of the Company in a way that cannot be determined yet.

2 Basis of preparation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). These are not the Company's statutory financial statements

(b) Basis of measurement

The financial statements are prepared on the historical cost basis.

(c) Going concern

The financial statements have been prepared on a going concern basis, which contemplates realisation of assets and the satisfaction of liabilities in the normal course of business and management's assessment did not indicate that there is any doubt about the entity's ability to continue as a going concern. In 2021 Company generated operating profit and positive operating cash flows.

(d) Functional and presentation currency

Management determined the functional currency to be the Ukrainian Hryvnia (UAH) as it reflects the economic substance of the underlying events and circumstances.

Management elected to use the Ukrainian Hryvnia (UAH) as the reporting currency in these financial statements for the convenience of users of the financial statements.

3 Significant accounting policies

3.1 Foreign currency translation

Transactions in foreign currency are translated to the operating currency using exchange rates in effect during the date of the transactions.

Profit and losses from foreign exchange difference, which arise from the settlement of such transactions during the period and from the conversion of monetary items expressed in foreign currency with the effective exchange rates during the balance sheet date, are registered in the results.

Foreign exchange differences from non-monetary items valued at fair value, are considered as part of the fair value and thus are registered accordingly as fair value differences.

3.2 Intangible assets

Intangible assets of the Company are initially recognized at acquisition cost. Following the initial recognition, intangible assets are calculated at cost minus accumulated amortization and any impairment loss that may have emerged.

The useful economic life and depreciation method are reviewed at least at the end of each financial period. If the estimated useful life or expected burn-up rate of future economic benefits incorporated in another intangible asset have changed, the changes are accounted for as changes in accounting estimations.

The amortization of intangible assets is based on the straight line method during their useful life, which is estimated depending on their usage. Intangible assets mainly include the acquired software used in production or management, as well as trademarks

3.3 Tangible assets

Land-plots and buildings are presented in the financial statements at readjusted values minus accumulated depreciations.

The fair value of land-plots and buildings is defined periodically by an independent evaluator. The mechanical equipment and other tangible fixed assets are presented at acquisition cost minus accumulated depreciations and possible impairment losses. The revaluation surplus included in equity in respect of an item of property, plant and equipment transfer directly to retained earnings when the asset is derecognised. This involves transferring the whole of the surplus when the asset is retired or disposed of.

The acquisition cost of fixed assets includes all expenses directly attributed to the acquisition of the assets. Subsequent expenses are registered as an increase of the tangible assets' book value or as a separate fixed asset, only to the extent where such expenses increase the future economic benefits expected to arise from the use of the fixed assets, and the cost of such may be reliably calculated. The cost of repairs and maintenance is registered in the results of the period where such are realized.

Self-produced tangible assets constitute an addition to the acquisition cost of tangible assets at values that include the direct payroll cost for staff that participates in the construction, the cost of used materials and other general costs.

The depreciations of tangible fixed assets are calculated with the straight line method during their useful life, which is as follows:

Buildings	from 20 to 60 years
Mechanical Equipment	from 5 to 10 years
Vehicles	from 5 to 9 years
Other Equipment	from 4 to 20 years

The residual values and useful economic lives of tangible fixed assets are subject to reassessment at each balance sheet date. When the residual values, the expected useful life or expected burn-up rate of future economic benefits incorporated in an asset have changed, the changes are accounted for as changes in accounting estimations.

Upon sale of the tangible fixed assets, any difference between the proceeds and the book value are booked as profit or loss to the results.

The book value of tangible fixed assets is examined for impairment when there are indications, namely events or changes in circumstances, that the book value may not be recoverable. If there is such an indication and the book value exceeds the estimated recoverable amount, the assets or cash flow creation units are impaired to the recoverable amount. The recoverable amount of property, facilities and equipment is the largest between their net sales price and their value in use. For the calculation of the value in use, the expected future cash flows are discounted to present value using a pre-tax discount rate that reflects the market's current expectations for the time value of money and related risks as regards to the asset. When the book values of tangible assets exceed their recoverable value, the difference (impairment) is registered initially as a reduction of the created fair value reserve (if there is such for the relevant fixed asset), which is presented in equity accounts. Any impairment loss that emerges over the created reserve for the specific fixed asset, is recognized directly as an expense in the profit and loss account.

3.4 Investments in Property

The investments in property include privately owned land plots and buildings, which are possessed by the Company with the objective to receive lease payments or / and to generate capital gains. The investments in property are initially recorded at their acquisition cost, which also includes the transaction costs. In a following stage, the investments in property are recorded at fair value.

3.5 Impairment of non financial assets

Assets with an indefinite useful economic life are not depreciated and are subject to impairment reviews annually and also when several events or changes in conditions indicate that the book value may not be recoverable. The assets depreciated are subject to impairment review when there are indications that their book value will not be recovered. Impairment losses are recognized for the amount for which the book value of the fixed asset exceeds its recoverable value. The recoverable value is the largest between fair value less the relevant cost required for the sale and value in use (present value of cash flows expected to be generated according to management's estimation on the future financial and operating conditions). To estimate impairment losses, assets are classified in the smallest possible cash flow generating units. Non-financial assets apart from goodwill that have suffered impairment are re-assessed for possible reversal of the impairment during each balance sheet date.

3.6 Inventories

The cost of inventories is defined using the FIFO method, and includes all the expenses realized in order to render inventories to their current position and condition and which are directly attributable to the production process, as well as part of general expenses related to the production. During the Balance Sheet date, inventories are presented at the lowest price between acquisition cost and net realizable value.

Net realizable value is the estimated sales price during the normal conduct of the company's activities, minus the estimated cost necessary to realize the sale.

3.7 Financial assets

3.7.1 Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

3.7.2 Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

3.7.3 Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Company. The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows And
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

3.7.4 Impairment of financial assets

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

3.8 Cash & cash equivalents

Cash & cash equivalents include cash in banks and in hand, as well as short-term highly liquid investments such as repos and bank deposits with a maturity less than three months.

3.9 Share capital

The share capital includes the Company's common shares. Direct expenses realized for the issue of shares are presented after the deduction of the relevant income tax, and reduce the product of the issue.

3.10 Loans

Loans are initially registered at fair value, minus any direct expenses realized for the transaction. Subsequently loans are valued at net book cost. Any difference between the received amount (net of relevant expenses) and the repayment value is recognized in the results during the borrowing term according to the effective interest rate method. Loans are characterized as short-term liabilities unless the Company has the final right to postpone payment for at least 12 months following the balance sheet date.

3.11 Leases

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At the commencement date, Company as a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is measured at cost. The lease liability is measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the Company interest rate.

After the commencement date, Company as a lessee measures the right-of-use asset applying a cost model. After the commencement date, Company as a lessee measures the lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

3.12 Employee benefits

Short-term employee benefits (apart from employment termination benefits) in money and in kind, are recognized as an expense on an accrual basis.

3.13 Revenues

According to the IFRS 15, the revenues are being recognized at the amount which an economic entity expects to fairly receive or be entitled to in exchange for the transfer of goods or services to a customer.

Revenue is defined the amount which an economic entity expected to receive in exchange for the goods or services which were transferred to a customer unless the amounts which are being received for the account of third parties (value added tax, other taxes on the sales). The variable amounts are included in the transaction price and are being estimated by utilizing either the "expected value" method, or the "most likely amount" method.

An economic entity recognizes revenues when (or as) a contractual obligation is satisfied by transferring the control of a promised good or service to the customer. The customer obtains control of a good or service if it has the ability to direct the use of and obtain substantially all of the remaining benefits from that good or service. Control is transferred over time or at a point in time.

The revenue from the sale of goods is recognized when control of the good is transferred to the customer, usually upon delivery and there is no unfulfilled obligation that could affect the customer's acceptance of the goods. The main products of the Company are food packaging products, plastic garbage bags and household cleaning products.

A trade receivable is recognized when there is an unconditional right possessed from an economic entity to receive a price consideration for the execution of contractual obligations towards the customer. The contractual asset is being recognized when the Company has satisfied all its obligations towards the customer, before the customer receives payment or before the payment is due, for example when goods or services are transferred to the customer before the Company has the right to invoice these goods or services.

A contractual obligation is recognized when there is an obligation to transfer goods or services to a customer for which the Company has received consideration from the customer (prepayment), or when there is an unconditional right possessed by the Company to receive consideration prior to the transfer of the good or service (deferred income). The contractual liability is derecognized when the related obligation is fulfilled and the revenue is recorded in the income statement.

From 1st January 2018, the obligation for execution of contracts with customers is depicted as a deduction from the turnover thus affecting the gross profit margin and the distribution expenses, without however affecting the net profit.

3.14 Government grants

The Company recognizes the government grants that cumulatively satisfy the following criteria:

- There is reasonable certainty that the company has complied or will comply to the conditions of the grant and
- It is probable that the amount of the grant will be received.

Government grants that relate to acquisition of fixed assets are presented as a deferred income in liabilities and recognized in the results during the useful life of the fixed assets such refer to.

3.15 Contingent Liabilities and Provisions

Provisions are booked 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 the amount can be reliably measured. The provisions are reviewed at every balance sheet date and are adjusted so as to reflect the present value of the expense deemed necessary to settle the liability. Contingent liabilities are not recorded in the financial statements but are disclosed, except if the probability of an outflow of resources that embody economic benefits is very small. Contingent assets are not recorded in the financial statements but are disclosed if the inflow of economic benefits is probable.

3.16 Dividend distribution

Dividend distribution to shareholders of the parent from the period's profit, are recognized as a liability in the financial statements on the date when the distribution is approved by the General Shareholders' Meeting.

3.17 Current and deferred taxation

The period's charge with income tax consists of current taxes and deferred taxes. Tax is recognized in the "Statement of comprehensive income", unless it is related to amounts recognized directly in "Equity". In the latter case tax is also recognized in Equity.

Income tax on earnings, is calculated based on the tax law in effect during the balance sheet date in countries where the Company's activities are carried out and is recognized as an expense during the period when earnings are gained. Management periodically reviews cases where the relevant tax law needs clarifications when interpreted. When deemed necessary provisions are made on the amounts expected to be paid to the tax authorities.

Deferred income tax is calculated according to the liability method which results from the temporary differences between the book value of assets or liabilities in the financial statements with their respective tax base. Deferred income tax is not recorded if such results from the initial recognition of an asset or liability in a transaction, apart from a business combination, which did not affect the accounting or the tax profit or loss when realized. Deferred tax is defined according to the tax rates and laws in effect during the balance sheet date and those expected to be effective when the deferred tax assets will be realized or the deferred tax liabilities repaid.

Deferred tax assets are recognized to the extent that there will be future taxable profit for the use of the temporary difference that creates the deferred tax asset. Deferred tax assets and liabilities are offset only when the law permits the offsetting of tax assets and liabilities and given that the deferred tax assets and liabilities arise from the same tax authority on one entity that is taxed or on different entities when the settlement is intended to take place through offsetting.

3.18 Noncurrent assets held for sale and discontinued operations

Assets held for sale include tangible fixed assets that the Company intends to sell within one year from their classification as "held for sale".

Assets classified as "held for sale" are valued at the lowest between their book value directly prior to their classification as held for sale, and their fair value less any sale cost.

Assets classified as "held for sale" are not subject to depreciation. The profit or loss that results from the sale and revaluation of assets "held for sale" is included in the results.

The Company has not classified noncurrent assets as held for sale.

4 New standards, interpretations and amendments adopted by the Company

A number of new standards, interpretations and amendments to the standards are effective for annual periods beginning on or after 1 January 2022. In particular, the Company did not apply such standards and interpretations of changes early. It is envisaged that the following amendments will have no significant impact on the Company's financial statements:

- IFRS 17 «Insurance Contracts». IFRS 17 is effective for annual periods beginning on or after 1 January 2023, with comparative information disclosed;
- Amendments to IAS 1 – «Classification of Liabilities as Short-Term or Long-Term». These amendments shall enter into force for annual periods beginning on or after 1 January 2023 and shall apply retrospectively;
- Amendments to IFRS 3 – «Reference to Conceptual Framework». These amendments shall enter into force for annual periods beginning on or after 1 January 2022 and shall be applied prospectively;
- Amendments to IAS 16 – «Property, Plant and Equipment: Intended Use». These amendments shall enter into force for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 37 – «Encumbrance Contracts - Contract Expenses». These amendments shall enter into force for annual periods beginning on or after 1 January 2022;
- Amendment to IFRS 1 «First-time Adoption of International Financial Reporting Standards, a subsidiary that applies International Financial Reporting Standards for the first time». This amendment shall enter into force for annual periods beginning on or after 1 January 2022. Application is allowed until this date;
- Amendment to IFRS 9 «Financial Instruments» - the commission fee for the 10% test in the event of derecognition of financial liabilities. This amendment shall enter into force for annual periods beginning on or after 1 January 2022;
- Amendment to IAS 41 «Agriculture - Taxation in Fair Value Measurement». An entity shall apply this amendment prospectively to the measurement of fair value at or after the beginning of the first annual reporting period beginning on or after 1 January 2022. Application is allowed until this date.

5 Property, plant and equipment

Movements in property, plant and equipment for the period ended 31 December 2019 are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	Land	Buildings - Technical Works	Equipment & Other Equipment	Means of Transportation	Furnitures	Fixed Assets under construction and prepayments	Total
Cost							
As at 1 January 2020	2 810	133 724	191 857	6 335	6 560	29 202	370 488
Additions	-	-	6	-	-	16 900	16 906
Disposals	-	-	(22 286)	-	-	(2 130)	(24 416)
Reclassifications	-	104	39 722	1 139	(5 826)	(35 139)	(0)
Revaluation	56	8 210	-	-	-	-	8 266
As at 31 December 2020	2 866	142 037	209 300	7 474	734	8 832	371 243
Depreciation							
As at 1 January 2020	-	53 647	82 724	4 081	4 975	-	145 427
Depreciation charge	-	1 325	22 108	628	161	-	24 222
Disposals	-	-	(14 549)	-	-	-	(14 549)
Revaluation	-	3 099	-	-	-	-	3 099
Reclassifications	-	(90)	3 889	1 038	(4 836)	-	(0)
As at 31 December 2020	-	57 981	94 172	5 748	299	-	158 199

Movements in property, plant and equipment for the ended 31 December 2020 are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	Land	Buildings - Technical Works	Equipment & Other Equipment	Means of Transportation	Furnitures	Fixed Assets under construction and prepayments	Total
Cost							
As at 1 January 2021	2 866	142 037	209 299	7 474	734	8 832	371 242
Additions	-	-	-	-	-	9 531	9 531
Disposals	-	-	(657)	(73)	(7)	(2 311)	(3 048)
Revaluation	179	5 778	-	-	-	-	5 957
Reclassifications	-	10 287	3 271	2 395	21	(15 974)	-
As at 31 December 2021	3 045	158 102	211 913	9 795	748	78	383 682
Depreciation							
As at 1 January 2021	-	57 981	94 172	5 748	299	-	158 199
Depreciation charge	-	1 580	22 927	1 085	152	-	25 745
Disposals	-	-	(587)	(73)	(7)	-	(667)
Revaluation	-	2 486	-	-	-	-	2 486
Reclassifications	-	-	-	-	-	-	-
As at 31 December 2021	-	62 048	116 512	6 759	444	-	185 763
Net book value							
As at 31 December 2020	2 866	84 056	115 128	1 726	436	8 832	213 044
As at 31 December 2021	3 045	96 055	95 401	3 036	304	78	197 919

As at 31 December 2021 and 2020, the Company's land and buildings were revalued by an independent appraiser in order to determine their fair value which was determined using depreciated replacement cost method

Depreciation

The total depreciation charge for the year ended 31 December are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	As at 31.12.2021	As at 31.12.2020
Cost of sales	23 120	21 192
Administrative Expenses	2 012	2 498
Distribution Expenses	612	532
Total depreciation charge	25 745	24 222

6 Intangible Fixed Assets

The company has created the new Intangible Fixed Asset - software of SAP (Systems Applications and Products in Data Processing).

This is accounting system that covers all company's accounting needs.

The total Intangible FA for the period ended 31 December are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	Property Rights	Accounting system (SAP)	Other formation expenses (SAP)	Advances for Intangible Assets	Other Intangible Assets	Total
Cost						
As at 1 January 2021	244	28 592	-	-	5 264	34 100
Additions	-	769	-	-	1 039	1 808
Disposals	-	-	-	-	(1 781)	(1 781)
Revaluation	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
As at 31 December 2021	244	29 361	-	-	4 522	34 127
Amortization						
As at 1 January 2021	244	678	-	-	4 789	5 711
Depreciation charge	-	1 318	-	-	420	1 738
Disposals	-	-	-	-	(1 781)	(1 781)
Revaluation	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-
As at 31 December 2021	244	1 996	-	-	3 429	5 668
Net book value						
As at 31 December 2020	-	27 915	-	-	474	28 389
As at 31 December 2021	-	27 365	-	-	1 093	28 459

7 Lease agreements

The Company first applied IFRS 16 using a modified retrospective application method on January 1, 2019. According to this method, the standard is applied retrospectively with the cumulative effect of its initial application at the date of initial application. The Company decided to use practical simplification that allows the standard to be applied to contracts that were previously identified as leases using IAS 17 and IFRIC 4 at the date of initial application. The Company also decided to use recognition exemptions for leases for which the lease term at the start date of the lease is no more than 12 months and which do not contain an option to purchase (short-term leases), as well as for leases in which asset is a low-value.

The impact of the application of IFRS 16 is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	As at 31.12.2021	As at 31.12.2020
Rights of use	21 257	22 310
Total assets	21 257	22 310
Long Term Lease Liabilities	19 879	20 803
Short Term Lease Liabilities	1 993	1 917
Total Liabilities	21 872	22 721

For implementation IFRS 16 Company used discount rate determined by Sarantis Company as 2.5% annual.

Movements in right of use and lease liabilities for the 2020 and 2021 are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	Rights of use		Total	Lease liabilities
	Land-Fields	Buildings		
As at 31 December 2019	7 527	8 279	15 806	16 040
Additions	(33)	9 266	9 234	9 614
Depreciations	(282)	(2 448)	(2 729)	-
Interest expenses	-	-	-	384
Payments	-	-	-	(3 318)
As at 31 December 2020	7 212	15 098	22 310	22 721

<i>(in thousands of Ukrainian hryvnias)</i>	Rights of use		Total	Lease liabilities
	Land-Fields	Buildings		
As at 31 December 2020	7 212	15 098	22 310	22 721
Additions	-	1 753	1 753	2 125
Depreciations	(281)	(2 524)	(2 806)	-
Interest expenses	-	-	-	557
Payments	-	-	-	(3 529)
As at 31 December 2021	6 931	14 326	21 257	21 872

8 Inventories

Inventories as at 31 December 2021 and 31 December 2020 are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	As at 31.12.2021	As at 31.12.2020
Finished Goods	102 603	121 429
Raw Materials	44 537	52 916
Packaging & Other Auxiliary Materials	5 734	5 747
Work in Process Semifinished Goods	8 195	11 240
Advances to Third Party Suppliers	11 862	6 556
Goods in transit	5 254	6 149
Total	178 184	204 037

The results of provision for impairment of slow-moving items are as follows :

<i>(in thousands of Ukrainian hryvnias)</i>	As at 31.12.2021	As at 31.12.2020
Finished Goods - Book Value	(1 115)	(1 298)
Raw Materials - Book Value	(890)	(891)
Packaging & Other Auxiliary Materials - Book Value	(3 155)	(3 730)
Work in Process Semifinished Goods - Book Value	-	-
	(5 160)	(5 919)

9 Trade and other receivables

Trade and other receivables as at 31 December 2021 and 31 December 2020 are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<u>As at 31.12.2021</u>	<u>As at 31.12.2020</u>
Trade receivables - Third Party	330 737	284 750
Trade receivables - Related Parties	13 478	7 013
Allowance for expected credit losses for Receivables from Customers	(24 221)	(24 667)
Doubtfull Debts -Gross Book Value	-	-
Allowance for expected credit losses for Doubtfull Debts	-	-
Advances / Sundry Debtors - Third Party	14 543	26 249
Advance payment of Income Tax	-	-
	<u>334 537</u>	<u>293 344</u>

10 Cash and cash equivalents

Cash and cash equivalents as at 31 December 2021 and 31 December 2020 are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<u>As at 31.12.2020</u>	<u>As at 31.12.2020</u>
Balances in UAH	12 555	8 994
Balances in other currencies	13 841	23 227
	<u>26 396</u>	<u>32 221</u>

11 Equity

As at 04 February 2020 the share capital was increased of 518 947 440 Ukrainian hryvnias (the equivalent of 18 700 000 Euro)

The additional growth of share capital was full paid as at 23 March 2020. The differences of amount in Ukrainian hryvnias were recognized as reserve in the Equity.

From 31 December 2018 till 31 December 2021 Ivybridge Ventures Limited owned 100% of share capital of Ergopack LLC.

As at 31 December 2021 and 2020 the share capital of Ergopack LLC was 736 491 kUAH.

12 Reserves

Reserves as at 31 December 2021 and 31 December 2020 are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<u>As at 31.12.2021</u>	<u>As at 31.12.2020</u>
Property Revaluation	37 393	34 547
Legal Reserves	2 994	2 994
Extraordinary Reserves	8	8
	<u>40 395</u>	<u>37 549</u>

13 Loans and borrowings

This note provides information about the contractual terms of loans and borrowings.

Changes in liabilities, cash flows and financial results due to debt for 2020 were presented as follows: agreements carried currency EUR

	Interest rate	Maturity	Face value in	Face value in	Carrying amount	Interest amount in	Payments, in KUAH	incl Forex in	Carrying amount in
			currency, 01.01.2020	KUAH, 01.01.2020	in KUAH, 01.01.2020			KUAH, 2020 (expenses)	
<i>(in thousands of Ukrainian hryvnias)</i>									
GR. SARANTIS	4,00%	31.12.2022	6 600 384	174 395	188 419	1 491	(213 941)	24 031	0
Loan from Iybridge Ventures Limited #1	0,50%	31.03.2020	2 617 550	69 161	74 806	50	(75 304)	448	(0)
Loan from Iybridge Ventures Limited #2	0,50%	31.03.2020	593 886	15 692	23 561	40	(24 974)	1 374	(0)
Loan from Iybridge Ventures Limited #3	0,50%	31.03.2020	467 249	12 346	14 009	35	(14 775)	731	(0)
Loan from Iybridge Ventures Limited #4	0,50%	31.03.2020	2 092 130	55 278	60 506	11	(60 929)	412	0
Loan from Iybridge Ventures Limited #5	0,50%	31.03.2020	1 938 532	51 220	62 365	13	(63 256)	878	0
Total			14 309 732	378 092	423 666	1 640	(453 179)	27 873	(0)

At the first part of 2020 Ergopack LLC paid off the loans. No loans was on 31.12.2021.

14 Allowance for expected credit losses of trade and other receivables

Changes in Allowance for expected credit losses of trade and other receivables during 2021 and 2020 are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	As at 31.12.2021	As at 31.12.2020
Balance as at 1 January	24 667	23 654
Expected credit losses (incomes) recognised on trade and other receivables	(87)	1 037
Amounts written off against provision	(359)	(24)
Balance as at 31 December	<u>24 221</u>	<u>24 667</u>

15 Trade and other payables

Trade and other payables as at 31 December 2021 and 31 December 2020 are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	As at 31.12.2021	As at 31.12.2020
Suppliers (Goods, Raw Mat, Pack,FA) - Third Party	56 676	62 784
Suppliers (Goods, Raw Mat, Pack,FA) - Related Parties	27 575	41 002
Suppliers (Services, Consum, other) - Third Party	14 239	22 855
Suppliers (Services, Consum, other) - Related Parties	7 317	4 025
Customer Advances - Third Party	1	3
Social Security	485	678
Sundry Creditors - Third Party	3 490	4 110
	<u>109 783</u>	<u>135 455</u>

16 Tax Liabilities

Tax liabilities as at 31 December 2021 and 31 December 2020 are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	As at 31.12.2021	As at 31.12.2020
Personal income tax	652	769
Other taxes	76	2 192
Corporate income tax incl accruals	1 127	2 816
Price Transferring provisions	-	-
	<u>1 855</u>	<u>5 777</u>

17 Provisions

As at 31 December 2021 and 31 December 2020 presented as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	As at 31.12.2021	As at 31.12.2020
Provision for Returns	-	5 986
Provision for Fines	-	3 811
Provision unused vacation	4 832	5 484
Provision Other	6 288	9 265
	<u>11 120</u>	<u>24 545</u>

18 Revenue

Revenue is presented net of sales incentives, including bonuses for volume of purchases and early payment discounts, which are paid to customers.

<i>(in thousands of Ukrainian hryvnias)</i>	As at 31.12.2021	As at 31.12.2020
Gross revenue (Net billings)	1 146 430	1 087 209
Sales incentives	(207 003)	(182 168)
Net revenue	<u>939 427</u>	<u>905 041</u>

19 Cost of sales

Cost of sales for the periods ended 31 December is as follows:

<u>(in thousands of Ukrainian hryvnias)</u>	<u>As at 31.12.2021</u>	<u>As at 31.12.2020</u>
Cost of goods	530 013	443 903
Employee expenses	63 040	74 655
Third-party fees	971	826
Third-party benefits	53 976	56 485
Taxes – duties	153	132
Sundry expenses	3 807	4 922
Fixed asset and ROU depreciation	25 074	23 702
Own inventory use	(4 684)	(4 247)
	<u>672 351</u>	<u>604 625</u>

20 Administrative expenses

Administrative expenses for the periods ended 31 December are as follows:

<u>(in thousands of Ukrainian hryvnias)</u>	<u>As at 31.12.2021</u>	<u>As at 31.12.2020</u>
Employee expenses	29 411	29 126
Third - Party fees	3 689	5 989
Third - Party Benefits	9 998	7 653
Taxes - Duties	244	181
Sundry Expenses	481	362
Depreciation	3 965	4 131
	<u>47 789</u>	<u>47 442</u>

21 Distribution expenses

<u>(in thousands of Ukrainian hryvnias)</u>	<u>As at 31.12.2021</u>	<u>As at 31.12.2020</u>
Employee expenses	52 067	52 007
Third - Party fees	33 195	40 129
Third - Party Benefits	30 358	36 518
Taxes - Duties	260	402
Sundry Expenses	64 172	75 129
Depreciation	1 249	532
	<u>181 301</u>	<u>204 717</u>

22 Employee costs

Employee costs, the majority of which are included in cost of sales and distribution expenses are as follows:

<u>(in thousands of Ukrainian hryvnias)</u>	<u>As at 31.12.2021</u>	<u>As at 31.12.2020</u>
Wages, salaries and bonuses	109 091	119 214
Salary related charges (social securities)	22 575	24 497
Provision for unused vacations	12 852	12 076
	<u>144 518</u>	<u>155 787</u>

23 Finance income and expenses

Finance income and expenses for the periods ended 31 December are as follows:

	As at 31.12.2021	As at 31.12.2020
<i>(in thousands of Ukrainian hryvnias)</i>		
Interest income	158	312
	158	312
Non-Operational Forex expense	(478)	(28 353)
Interest expense	-	(1 641)
Interest on Leasing	(557)	(384)
Bank charges	(1 491)	(1 852)
	(2 526)	(32 229)
	(2 367)	(31 918)

24 Income tax expenses

The corporate income tax rate was 18% for 2021 and 2020.

Income tax expense for the periods ended 31 December was as follows:

	As at 31.12.2021	As at 31.12.2020
<i>(in thousands of Ukrainian hryvnias)</i>		
Current tax expense	3 552	9 097
Deferred tax income	2 090	(3 422)
	5 642	5 675

Movements in deferred tax assets for the years ended 31 December are as follows:

	Balance as at 1 January 2020	Recognised in Equity	Recognised in profit or loss	Balance as at 31.12.2020	Recognised in Equity	Recognised in profit or loss	Balance as at 31.12.2021
<i>(in thousands of Ukrainian hryvnias)</i>							
Tax loss carry-forwards	-	-	-	-	-	-	-
Revaluation of Fixed assets	(6 653)	(930)	-	(7 583)	(625)	-	(8 208)
Difference in Tax and Balance value of Tangible	(2 719)	-	1 194	(1 526)	-	(198)	(1 724)
Difference in Tax and Balance value of In-Tang	242	-	(7)	234	-	(21)	214
Accruals for trade expenses and other services	4 201	-	3 497	7 697	-	(2 800)	4 898
Provision for stock	1 261	-	(1 261)	-	-	929	929
	(3 669)	(930)	3 422	(1 177)	(625)	(2 090)	(3 892)

25 Financial risk management

Exposure to credit, interest rate and currency risks arises in the normal course of business. Ergopack LLC does not hedge its exposure to such risks.

(a) Overview

Ergopack LLC has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

Management has overall responsibility for the establishment and oversight of the risk management framework.

The risk management policies are established to identify and analyse the risks faced by the Ergopack LLC, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. Ergopack LLC, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The shareholders oversee how management monitors compliance with risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

(i) Trade and other receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer base has less of an influence on credit risk.

Management established a credit policy under which each new customer is analysed individually for creditworthiness before standard payment and delivery terms and conditions are offered. The review includes external ratings, where available, and in some cases bank references. Purchase limits are established for each customer, which represents the maximum open amount without requiring additional approval from management. These limits are reviewed on a monthly / quarterly basis.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, whether they are wholesale or retail, geographic location, industry, ageing profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to wholesale customers.

Ergopack LLC does not require collateral in respect of trade and other receivables. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

The Company establishes an allowance for expected credit losses of trade receivables and contract assets that represents its estimate of incurred losses in respect of trade and other receivables and investments. The main components of this provision are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective impairment provision is determined based on historical data of payment statistics for similar financial assets.

The ageing analysis of trade and other receivables as at 31 December 2021 and 31 December 2020 are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	As at 31 December 2021		As at 31 December 2020	
	total	Provision	total	Provision
Not due	310 937	(6 735)	255 437	(11 180)
Due from 1 to 30	15 407	(797)	18 787	(1 469)
Due from 31 to 60	2 472	(374)	3 420	(779)
Due from 61 to 90	2 216	(146)	807	(201)
Due more than 90	13 182	(16 170)	11 038	(11 038)
	<u>344 214</u>	<u>(24 221)</u>	<u>289 490</u>	<u>(24 667)</u>

(ii) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	As at 31.12.2021	As at 31.12.2020
Trade receivables	319 994	267 095
Other receivables	14 543	26 249
Cash & cash equivalents	26 396	32 221
	<u>360 933</u>	<u>325 565</u>

The Company is also exposed to the risk of non-recovery in respect of prepayments to suppliers. The carrying amount of prepayments to suppliers represents the maximum exposure and is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	As at 31.12.2021	As at 31.12.2020
Prepayments and accrued income	342	859
	<u>342</u>	<u>859</u>

(c) Liquidity risk

Liquidity risk is the risk that Ergopack LLC will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The contractual maturities of non-derivative financial liabilities including interest payments (undiscounted cash flows) are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	<1 year	1-4 year	>4 years	Total
As at 31 December 2020				
Lease Liabilities	1 917	3 569	17 234	22 721
Trade payables	130 665	-	-	130 665
Other payables	4 790	-	-	4 790
Tax Liabilities	5 777	-	-	5 777
Liabilities on transitional accounts	24 545	-	-	24 545
	<u>167 695</u>	<u>3 569</u>	<u>17 234</u>	<u>188 498</u>
As at 31 December 2021				
Lease Liabilities	1 993	741	19 139	21 872
Trade payables	105 807	-	-	105 807
Other payables	3 976	-	-	3 976
Tax Liabilities	1 855	-	-	1 855
Provision	11 120	-	-	11 120
	<u>124 751</u>	<u>741</u>	<u>19 139</u>	<u>144 630</u>

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. All such transactions are carried out within the guidelines set by management

(i) Currency risk

Ergopack LLC is exposed to currency risk on sales, purchases, bank balances and loans and borrowings that are denominated in a currency other than the respective functional currency of Company (Ukrainian hryvnia (UAH)). The currencies in which these transactions primarily are denominated are US dollars, Euro (EUR) and Russian Rouble (RUB).

In respect of monetary assets and liabilities denominated in foreign currencies, Ergopack LLC ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The exposure to foreign currency risk is as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	USD	EUR	RUB
As at 31 December 2020			
Trade and other receivables	69 852	21 606	1 725
Cash & cash equivalents	17 236	5 991	-
Trade and other payables	(4 069)	(58 339)	-
Net (short) long position	<u>83 019</u>	<u>(30 743)</u>	<u>1 725</u>
As at 31 December 2021			
Trade and other receivables	87 490	22 051	4 318
Cash & cash equivalents	7 676	4 275	1 890
Trade and other payables	(1 865)	(47 074)	-
Net (short) long position	<u>93 301</u>	<u>(20 748)</u>	<u>6 208</u>

(ii) Interest rate risk

Changes in interest rates impact primarily loans and borrowings by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). Management does not have a formal policy of determining how much of the Company's exposure should be to fixed or variable rates. However, at the time of obtaining new financing management uses its judgment to decide whether a fixed or variable rate would be more favourable to the Company over the expected period until maturity.

26 Related party transactions

Ergopack LLC performs transactions with related parties in the ordinary course of business. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party when making financial and operational decisions. Related parties comprise shareholders of the Parent Company, key management personnel and their close family members, and companies that are controlled or significantly influenced by these parties. Prices for related party transactions are determined on an ongoing basis.

(a) Transactions with Key management

Key management are those having the authority and responsibility for planning, directing and controlling the activities of the Company. Key management (7 positions) received the following remuneration during the 2021

<i>(in thousands of Ukrainian hryvnias)</i>	As at 31.12.2021	As at 31.12.2020
Quantity of employees	7	9
Salaries and bonuses	14 462	17 419
	<u>14 462</u>	<u>17 419</u>

(b) Balances and transactions with Related Parties

Outstanding balances with Related Parties are as follows:

<i>(in thousands of Ukrainian hryvnias)</i>	As at 31.12.2021	As at 31.12.2020
Trade receivables - Hoztorg LLC	6 879	5 050
Trade receivables - Sarantis Bulgaria Ltd	38	24
Trade receivables - Sarantis Polska SA	419	-
Trade receivables - Sarantis Romania SA	-	661
Trade receivables -GR. SARANTIS AVEE	-	16
Trade receivables - Sarantis Hungary	1 158	1 262
Trade receivables - Sarantis Serbia	4 304	-
Trade receivables - Sarantis Bosnia	521	-
Trade receivables - Sarantis Skopje	157	-
	<u>13 478</u>	<u>7 013</u>
Suppliers (Goods, Raw Mat, Pack,FA) - GR. SARANTIS AVEE (GR. SARANTIS S.A.)	(20 642)	(36 236)
Suppliers (Goods, Raw Mat, Pack,FA) - Sarantis Polska SA	(6 604)	(4 766)
Suppliers (Goods, Raw Mat, Pack,FA) - Sarantis Romania	(31)	(31)
Suppliers (Goods, Raw Mat, Pack,FA) - Sarantis Czech	(140)	-
Suppliers (Goods, Raw Mat, Pack,FA) - Sarantis Hungary	(189)	-
Suppliers (Sevices, Consum, other) - Ivybridge Ventures Limited	(1 607)	(1 739)
Suppliers (Sevices, Consum, other) - Hoztorg LLC	-	(254)
Suppliers (Sevices, Consum, other) - SARANTIS POLSKA SA	-	-
Suppliers (Sevices, Consum, other) - GR. SARANTIS AVEE (GR. SARANTIS S.A.)	(5 710)	(2 286)
	<u>(34 923)</u>	<u>(45 311)</u>

Revenue and expenses incurred from transactions with Related Parties as at follows:

<i>(in thousands of Ukrainian hryvnias)</i>	As at 31.12.2020	As at 31.12.2020
Revenue	97 402	40 880
Royalty expenses	(3 250)	(1 606)
Interest expenses	-	(1 641)
Expenses: goods	(41 849)	(52 693)
Expenses: services	(1 645)	(2 901)
Formation expenses of non-current asset	(1 291)	(6 385)

27 Subsequent events

On February 24, 2022 Russian Federation carried out a military invasion of Ukraine. Taking into account that its course could significantly affect the country's operating environment and the final settlement cannot be predicted with sufficient certainty. At the date of the financial statements there is no loss of the company's assets. Company has decided to continue monitor the situation and ready to make adjustments to its financial statements as soon as the impact of military action on assets and liabilities becomes clear.

Andriy Dikunov
Director, Ergopack LLC

