"Polipak" Sp. z o.o.

Financial Statements

for the period from 1 January to 31 December 2019

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INTRODUCTION TO THE FINANCIAL STATEMENTS
BACKGROUND INFORMATION

1. Business name, head office, core business

The Company was formed by transformation of: Przedsiębiorstwo Produkcyjno-Handlowe "GG PLAST" Grzegorz Nowak i Wspólnicy Spółka Jawna (general partnership).
On 2 May 2005, the Company was registered with the District Court in Poznań, 21st Commercial Division of the National Court Register (at present: District Court in Poznań - Nowe Miasto and Wilda, 9th Commercial Division of the National Court Register), and entered into the National Company Register under no.: KRS 233546. On 26 June 2006, the Company's business name was changed to "POLIPAK" Sp. z o.o.

Head office of Polipak Spółka z o.o.
ul. Harcerska 16
63-000 Środa Wielkopolska

The Company's core business is manufacturing of polyethylene packaging dedicated for many market segments. Packaging types include primarily garbage bags, frozen food and ice bags, as well as film bags for industrial uses. The following is the identification of the Company's business activity as per the Polish Classification of Economic Activity: 2222 Z.

2. Composition of the Company's Board of Directors

As at 31 December 2019, the Company's executive and management body was composed of the following persons:

Artur Gwardiak -	President of the Board of Directors
Magdalena Łoś-Grzesik -	Vice President, Chief Commercial Officer
Magdalena Sobota -	Vice President, Chief Supply and Administration Officer
Emilia Topolska -	Vice President, Chief Economic and Financial Officer

The President of the Board of Directors acting independently or two Vice Presidents acting jointly are authorised to represent the Company.

On 31 January 2020, composition of the Board of Directors changed so that Emilia Topolska, Magdalena Sobota and Magdalena Łoś-Grzesik were removed from their office of the Vice Presidents.
On 1 February, Justyna Nowak-Gajek was appointed as the Vice President.

3. Company's shareholders

As at 31 December 2019, the following were the Company's shareholders:

a) Sarantis Polska Spółka Akcyjna of Piaseczno, holding 8,000 shares of PLN 100.00 each, with the total value of PLN 800,000.00;
b) Grzegorz Nowak Investments Sp. J. of Poznań, holding 2,000 shares of PLN 100.00 each, with the total value of PLN 200,000.00.

4. Business name of a parent

Sarantis Polska S.A

5. Business name of an ultimate parent

GR Sarantis SA, Greece

6. Entity authorised to audit

Grant Thornton Frąckowiak Sp. z o.o. sp.k.
ul. abpa A. Baraniaka 88E
61-131 Poznań

7. Presentation rules

These Financial Statements cover the period of 12 months from 1 January through 31 December 2019. These Financial Statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) as approved by the European Union, and with the accounting policies, and cover the period from 1 January through 31 December 2019 and the period from 1 January through 31 December 2018.

A Statement of Financial Position conforms to all requirements of IFRS as adopted by the EU, and gives a true and fair view of the Company's financial and economic position as at 31 December 2019 and 31 December 2018, Statement of Profit & Loss and Other Comprehensive Income, Statement of Changes in Cash Flows, and Statement of Changes in Equity for the years ending 31 December 2019 and 31 December 2018, respectively.

8. Declaration of the Board of Directors

1) The Board of Directors of Polipak Spółka z o.o. declares to the best of its knowledge that the annual Statement of Financial Position and comparative figures have been prepared in accordance with the International Financial Reporting Standards approved by the European Union. These Statements present in a true, reliable and clear manner the Company's financial and economic position as well as its financial result and other comprehensive income, while the Board's Annual Report offers a true description of the Company's development, achievements and situation, including the description of basic risks and exposures.

2) The entity authorised to audit the Financial Statements has been selected in accordance with legal regulations. The entity as well as statutory auditors, who performed the audit, fulfilled the criteria for

issuing an unbiased and independent audit report in accordance with applicable national legal regulations.

Środa Wielkopolska, 21 February 2020

Artur Gwardiak -	President of the Board of Directors
Justyna Nowak-Gajek -	Vice President

Signed by / Podpisano przez:

Artur Gwardiak

Date / Data: 2020-03-27 11:28

Signed by / Podpisano przez:

Justyna Marta Nowak-Gajek

Date / Data: 2020-03-27 10:45

9. Basis for preparation, and accounting policies

Basis for preparation of separate Financial Statements

These separate Financial Statements of Polipak Spółka z o.o. have been prepared in accordance with the International Financial Reporting Standards (IFRS) approved by the European Union and effective for annual periods beginning 1 January 2019.

These Financial Statements have been prepared based on the accrual principle with the assumption that the Company will continue as a going concern in the foreseeable future. The Company's Management assesses that events related to the coronavirus pandemic, which occurred in late 2019, do not pose any risk to the Company's continuing as a going concern in the foreseeable future. For complete presentation and understanding of the Company's financial and economic position, comparative data in the form of the Statement of Financial Position prepared as at 31 December 2018 as well as the Statement of Profit & Loss and Other Comprehensive Income, Statement of Changes in Cash Flows, and Statement of Changes in Equity for 2018 are provided.

The following are fundamental accounting policies adopted by the Company's:

1. A calendar year is the Company's financial year.
2. There are the following interim reporting periods in the financial year:
Month - for settling prime cost and reconciling detailed accounts with general ledger accounts.
A statement of profit or loss is prepared in a single statement format, split into two sections: profit and loss account (up to the gross profit/loss items), by type and by function.
Half-year - for measuring assets and liabilities, and determining a financial result in accordance with the adopted accounting policies. Semi-annual financial statements include: statement of financial position as at 30 June, statement of profit & loss and other comprehensive income, statement of changes in equity, and cash flow statement for the period from 1 January through 30 June.

3. As part of the adopted accounting policies, the Company adopts the IAS/IFRS benchmark treatment to present its statements in a manner that is reliable and helpful.
4. Presentation currency - the statements are presented in the Polish currency (PLN) rounded to the nearest zloty. PLN is the Company's functional currency.
5. "Accounting policies", "Inventory count instructions" and internal regulations of the Board of Directors all govern cost records and allocation, stock-taking, measurement of assets, equity and liabilities, and procedures and rules adopted for data protection in IT systems in place in the Company.
6. Separate operating guidelines govern preparation, circulation and control of accounting evidence.

Judgments and estimates

The preparation of the financial statements in accordance with IFRS requires the Board of Directors to make judgments, estimates and assumptions that significantly affect the adopted policies and presented amounts of assets, equity, liabilities, income, and expenses.
The estimates and associated assumptions are based on historical expertise and other factors that are considered reasonable under the circumstances, and the results of which provide grounds for assessing carrying values of assets, equity, and liabilities, which are not apparent from other sources. Actual values may differ from estimated values.

The estimates and associated assumptions are verified on an on-going basis. Changes in estimates are reported for the period in which estimates were changed, or for current or future periods if changes in estimates relate both to current and future periods.

Property, plant and equipment

Property, plant and equipment are measured at acquisition or production cost that includes costs directly attributable to bringing the asset into use. Land and real property considered to be investments are measured at fair value. Production cost includes all expenditure directly attributable to producing and installing the assets, reasonable indirect costs, costs of dismantling and removing the item, which are required to be incurred to bring the assets into use.

Property, plant and equipment are subject to depreciation and impairment.
Costs of significant repairs and regular inspection programs are recognized under property, plant and equipment, and depreciated over the course of the economic life.
Costs of day-to-day maintenance and servicing of property, plant and equipment are recognised in profit or loss as incurred.
Depreciation is calculated on straight-line basis over the estimated useful life of the asset; the following are useful lives for particular groups of property, plant and equipment:

Group	Useful life
Buildings and structures	20 – 40 years
Machines and equipment	5 – 15 years
Motor vehicles	2 – 15 years
Other property, plant and equipment	2-10 years

An asset is subject to depreciation when it is available for use, i.e. when it is adapted to the location and conditions necessary for it to be capable of starting operation.
Depreciation of an asset begins on the first day of the month following the one in which the asset was accepted for use. Economic lives and depreciation methods are revised on a yearly basis, leading to an adjustment, if any, of the depreciation charges in the subsequent years.

Items of property, plant and equipment, which are of negligible value, are subject to a simplified procedure, whereby they are subject to one-off depreciation charge. Items of property, plant and equipment of negligible value are those whose acquisition cost does not exceed PLN 3500.
If there have been events or changes, which indicate that the carrying amount of property, plant and equipment, may not be revocable, the assets are tested for impairment.
If there is any indication that the asset may be impaired and the carrying amount of the asset exceeds its recoverable value, then the value of the asset is reduced to its recoverable value by an impairment loss. The recoverable value of items of property, plant and equipment is higher of their net selling price or value in use.
Impairment losses are disclosed in the statement of comprehensive income under operating expenses.
The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net revenue and the carrying amount of the item, and disclosed as income or expense in the statement of comprehensive income.

A revaluation model is applied for land valuation purposes. The land asset is not depreciated because it has an infinite useful life. A fair value of land is determined on the basis of current market information by an independent appraiser in accordance with adopted principles, i.e. once every three to five years, provided that market conditions do not change significantly. Otherwise, the fair value is measured in the last quarter of the accounting year.

Land revaluation surpluses are credited to other comprehensive income and recognized in the aggregate amount in equity. An increase in the fair value of land is recognized as revenue to the extent that it reverses a revaluation decrease previously recognized under costs of the period. The decrease in the fair value of land is recognized under costs of the period. However, the revaluation decrease is recognized in other comprehensive income up to the amount of the revaluation surplus previously accumulated in equity.

A surplus arising from the change in the fair value of the asset, accumulated in equity, is transferred to retained earnings from previous years when the asset is removed from the statement of financial position. The item of property, plant and equipment may be removed from the statement of financial position upon its disposal. Gains or losses arising from the sale, retirement or discontinued of the use of the assets are determined as the difference between the sales revenue and the net value of the assets. These gains or losses are recognized in profit or loss as other operating income or expenses.

In the 2019 reporting period, the Company performed a revaluation of a high-bay warehouse building that had been accepted for use on 31 July. An appraisal report was prepared by independent real estate appraiser Ms. Ewa Borkowska-Karwowska of Warsaw. As required under IAS 16 paragraphs 39 and 40, the effects of the revaluation are presented in the statement of profit & loss and other comprehensive income and recognized as revaluation reserve.

The Company also changed economic lives for film making and sealing machines, and – by the decision of the Board of Directors of 10 October 2019 – adopted the verification commission's report of October 7 on verification of depreciation rates, and approved the change of economic lives by adopting a 15-year depreciation period for the machines. The change was introduced as of 1 January 2019.

Lease

Lease agreements, under which substantially all the risks and rewards are transferred to the lessee, are recognised in accordance with IAS 16 as rights to use of the underlying assets on the asset side and as a current value of future lease payments on the equity and liability side.

The Company recognises the right-of-use asset and the lease liability. The right to use is measured at acquisition cost consisting of the initial value of the liability and initial payments made on or before the start date. Lease payments included in the value of the lease liability consist of fixed lease payments, variable lease payments that depend on a rate, and a final payment for purchase options provided that the exercise of the options is reasonably certain.

The depreciation policy for leased assets held under finance leases is consistent with that applicable to the assets owned by the Company, while depreciation is recognised in accordance with IAS 16 and IAS 38. Where there is no reasonable certainty that the lessee will obtain ownership before the end of the lease, the asset is depreciated over the shorter of the lease term and useful life of the asset.
Lease (rental) payments made by the Company are apportioned between the reduction of the outstanding liability and the finance cost. The finance cost is allocated and recognised in the statement of comprehensive income during the lease term.

Intangible assets

Intangible assets are recognized when it is probable that future economic benefits that might be directly attributable to the assets will flow to the entity.

Initially, intangible assets are stated at acquisition cost or production cost.
Intangible assets are measured at acquisition cost or production cost less accumulated amortisation and impairment losses.
Intangible assets with definite useful lives are amortised when they are ready for use, i.e. when the asset is in the location and condition necessary for it to be capable of operating in the manner intended by management, over the course of their estimated economic lives. The amortisation period and the amortisation rates are reviewed at least at the financial year-end, and an adjustment, if any, of amortisation charges is made in the subsequent periods.
Intangible assets with indefinite useful lives are not amortised. Their value is reduced by impairment losses, if any.
The following are economic lives typically applied for intangible assets:
Concessions, licences and similar assets 2 - 10 years

Group	Economic life
Concessions, licences and similar Computer software	2 – 10 years 2 – 5 years

Intangible assets are tested for impairment if there are circumstances indicating that the carrying amount may not be recoverable. If there is any indication that the asset may be impaired and the carrying amount of the asset exceeds its recoverable value, then the value of the asset is reduced to its recoverable value and is the higher of: its net selling price or value in use.

Software maintenance costs incurred in subsequent periods are charged to expense of the period as incurred.

Construction in progress

Construction in progress classified as fixed assets is a fixed asset in the course of its construction, assembly, improvement, reconstruction or extension of the existing asset.
Construction in progress is measured at the amount of aggregate costs attributable to the acquisition (purchase) or construction of new investments, and costs incurred to improve, reconstruct or extend the asset that is already in use, starting from site preparation until the asset is brought into use, directly related to acquisition or internal generation of the asset. Where the asset is purchased, costs related to assembly and adaptation of the asset for use, incurred until the asset is brought into use, are classified as construction in progress.
The value of construction in progress is reduced by impairment losses.

Borrowing costs that can be directly attributed to the purchase, construction or production of the asset are activated as part of the acquisition cost or production cost of the asset. Borrowing costs include interest and foreign exchange gains or losses. The rule above has been applied by the Company starting from 2018.

Interests in other entities

Interests in other entities are measured at their acquisition cost less impairment losses.

Financial assets

Financial assets are classified into the following categories: (a) held-to-maturity investments, (b) loans and receivables, (c) available-for-sale financial assets, (d) financial instruments measured through profit or loss.
The classification of the financial assets depends on the purpose for which investments have been acquired. At initial recognition, investments are measured at fair value which is increased for investments not classified as investments at fair value through profit and loss, by transaction costs which are directly attributable to the acquisition or issue of the investment item.

Investments are derecognised when the rights to rewards and risks of the investments have expired or have been transferred to a third party.

(a) held-to-maturity investments
are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company intends and is able to hold to maturity, except assets which are classified to other groups.
Assets, which will be realised or intended for sale or consumption during the Company's normal operating cycle, are included in current assets. Held-to-maturity investments are measured at amortised cost, using the effective interest method.

(b) loans and receivables
are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and arise when money, goods or services are provided to a debtor with no intention of classifying those receivables as financial assets measured at fair value through profit or loss. They are included in current assets, except for maturities exceeding 12 months of the balance sheet date.
Trade and other receivables are measured at amortised cost, using the effective interest method, less any doubtful debt allowances made based on the age structure of the receivables.
On account of short payment periods that do not exceed 12 months, the Company assumes that differences between the measurement of trade receivables at amortised cost and the measurement thereof at amount to be paid are negligible. Therefore, the Company does not measure receivables at amortised cost.

(c) available-for-sale financial assets
are non-derivative financial assets designated as available for sale or any other financial assets that are not classified into the category a) or b). They are included in current assets if the Company intends to dispose of them within 12 months after the balance sheet date. Available-for-sale financial assets are measured at fair value. Any gains and losses on the measurement of available-for-sale financial assets are recognised as separate item of equity until the time the assets are disposed of or by the time of the assets are impaired, in which time the accumulated profit or loss previously disclosed in equity is recognised in the statement of comprehensive income.

(d) *investments measured at fair value through profit or loss*
An instrument is classified as an investment measured at fair value through profit and loss if it is intended for sale or is classified as such at initial recognition. Financial instruments are classified as those measured at fair value through profit or loss if the Company actively manages the investment and makes decisions as to its purchase or sale based on its fair value. After initial recognition, attributable transaction costs are recognized in profit or loss as incurred.
Any gains and losses attributable to the investment are recognised in the statement of comprehensive income.

Inventories

Inventories are measured and stated at the lower of acquisition cost or production cost and net realisable value. Acquisition cost or production cost includes costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Production cost of work in progress and finished products includes direct costs (primarily materials) increased by a suitable portion of costs directly attributable to the production process (labour,.....) and production overheads, based on the normal capacity of the production facilities.
Costs of work in progress and finished products are assigned using the weighted average cost formula.
Costs of materials and commodities are assigned using the weighted average formula.

Net realisable value is the estimated selling price in the ordinary course of business, less costs of completion and costs necessary to make the sale.
The Company recognised costs of inventories sold and unallocated production overheads under operating activities in the statement of profit and loss, in the total amount of PLN 127 015 369.45 in 2019 and PLN 119 050 860.50 in 2018.

Receivables

Trade and other receivables are recognised when they become due and payable to the Company.
Trade and other receivables are disclosed in the amount expected to be paid, less doubtful debt allowances.

Bad debts are charged to comprehensive income at the time when they are considered uncollectible.

The change of the valuation method for credit losses on receivables, which losses are measured at amortised cost according to IFRS 9, had no impact on the financial statements. Calculations for valuation of losses on receivables were done following the model adopted and applied by the Group, and showed zero; there was no overdue receivables.

Cash and cash equivalents

Cash comprises cash in hand and cash at banks.
Cash equivalents are short-term investments of high liquidity that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in their value.

Cash is stated at face value which corresponds with their value determined in acquisition cost.

In 2019, the Company recognized as cash the amount of PLN 4 182 846.22 received as part of the NCBR project, which constitute a prepayment of refund of eligible costs under contract no. POIR.01.01.01-00-0793/19 of 29 October 2019.
Eligible costs are PLN 90 225 418.75, including the co-financed amount of PLN 42 127 098.75.

Accruals, prepayments and deferred income

Current accruals and prepayments cover accrued expenses and prepaid expenses. Prepayments include expenses relating to periods following the period in which they were incurred. Consequently, the expenses increase costs of subsequent periods. They are deferred only if they meet the definition of assets.

Deferred income includes all income received in the period other than the period to which it relates. Deferred income includes subsidies received for the acquisition or generation of property, plant and equipment. A subsidy, which relates to a cost item, is calculated according to the project progress and recognised as income proportionally to the costs which the subsidy is to compensate.
A subsidy, which relates to an asset, is gradually recognised in profit as the revenue through periods proportionally to depreciation charges for that asset.

For the financial position presentation purposes, the Company does not reduce the carrying value of the assets by the value of subsidies, but discloses the subsidies as deferred income under "Accrued expenses and deferred income"

Equity

Equity is established by the Company in accordance with the binding regulations, i.e. applicable acts and the Company's Articles of Association.
Share capital arises from the Company's shares taken up by the Company's shareholders and is recognised at its nominal value, in the amount constituting the product of the number of shares taken up and properly paid up and the nominal value of one share as per the Company's Articles of Association and the relevant entry into the National Court Register.

Other capital includes capital from accumulated other comprehensive income, and is classified into the following categories: share capital; supplementary capital intended for compensation of losses, if any; reserve capital intended for the Company's development; and other reserve capital.
Undistributed profit for prior years and the profit for the current year are presented in the statement of financial position as retained earnings.

Financial liabilities

Financial liabilities other than hedging derivatives are disclosed in the statement of financial position under the following items:

- loans, borrowings and other debt instruments;
- finance leases;
- trade and other payables; and
- derivative financial instruments.

Following initial recognition, financial liabilities are measured at amortised cost using the effective interest method, except for financial liabilities held for trading or designated as ones to be measured at fair value through profit or loss.
Financial liabilities measured at fair value through profit or loss include derivatives other than hedging instruments.
Current trade payables are measured at amounts to be paid, as the effect of discounting would be negligible.
Loans and borrowings are classified as current liabilities unless the Company has the right to defer their repayment for at least 12 months after the balance sheet date.

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Company has a legal or constructive obligation arising from future events, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and when a reliable estimate can be made of the amount of the obligation. The timing and amount of a liability may be uncertain.

Provisions are made, among other, for:

- warranties given to provide after-sale support of products and services;
- pending lawsuits and litigation;
- restructuring, only if the Company is required to carry out the restructuring under separate regulations, or binding agreements have been made regarding the restructuring process.

Provisions are not recognized for future operating losses.

The amount of the provision is the best estimate of the expenditures required to settle the present obligation, based on most reliable evidence available on the date on which the financial statements are prepared, including evidence as to risks and uncertainties. Where the effect of the time value of money is material, a provision is measured by discounting expected future cash flows to their present value, using a discount rate that reflects current market assessment of the time value of money and risks, if any, specific to the liability. Where discounting is used, any provision increase reflecting the passage of time is recognised as finance cost.

Where the expenditure required to settle a provision is expected to be reimbursed, the reimbursement is treated as a separate asset when it is virtually certain that the reimbursement will be actually received.

The value of such asset cannot exceed the provision.

Where the outflow in settlement of the present obligation is unlikely, no contingent liability is recognised in the statement of financial position except for contingent liabilities identifiable in a business combination under IFRS 3.

Any possible inflows of economic benefits to the Company, which do not yet meet the criteria to quality as assets, are classified as contingent assets, of which information is disclosed in the notes.

Employee benefits

Disclosed in the Statement of Financial Position, liabilities and provisions for employee benefits comprise the following items:

- current employee benefits arising from wages and salaries, including bonuses, and social security contributions;
- provisions for accrued holiday entitlement; and
- other non-current employee benefits, under which the Company includes services anniversary awards and retirement gratuity.

Current employee benefits

Liabilities arising from current employee benefits are measured on an undiscounted basis and are reported in the statement of financial position at the amount to be paid.

Provisions for accrued holiday entitlement

The Company sets up a provision for costs of accumulating compensated absences, which the Company will have to pay as a result of the unused entitlement that has accumulated as at the balance sheet date. The provision for accrued holiday entitlement is classified as a current provision and is not discounted.

Retirement gratuity and service anniversary awards

In line with the payroll system in place in the Company, the Company's employees are entitled to service anniversary awards and retirement gratuities. Service anniversary awards are paid out to employees upon completion of a certain number of years of service (10 or 20 year) after a relevant resolution is adopted by the Board of Directors. A retirement gratuity is one-off benefits, paid out

when the employee retires. The amounts of retirement gratuity and service anniversary awards depend on the length of employment and average remuneration of the employee.
The Company sets up a provision for future liabilities arising from retirement gratuities and anniversary service awards to allocate costs to the period in which the benefits become vested.
The present value of the provisions at each balance sheet date is estimated using actuarial methods. Accrued provisions are future discounted payments to be paid and related to the period until the balance sheet date. Demographics data and information on employee turnover are based on historical records.
The effect of the measurement of the provision for future liabilities arising from retirement gratuities and service anniversary awards is recognized in the profit or loss.

Foreign currency transactions

The Company performs currency translation as follows:
on an on-going basis when receivables and liabilities are posted – at the relevant average rate of exchange of the National Bank of Poland at the date preceding the sale or purchase transaction date. At the same time, revenue from the sales invoiced to business partners in foreign currencies, equal to the amounts of the receivables, as well purchases of supplies and services are translated using the same exchange rate.
on an on-going basis when money flows, to post receivables received or liabilities paid, loans/borrowings contracted or repaid, and inflows and outflows of foreign currencies in hand or at bank (foreign currency bank account). For translation, the rate of exchange actually used for the foreign operation, or the relevant average rate of exchange of the National Bank of Poland at the date preceding the date when receivables are received/liabilities are paid, unless the nature of the operation indicates that any other rate of exchange should be applied.
as at the balance sheet date for monetary items that relate to assets and liabilities expressed in foreign currencies, in order to revalue such items measured in PLN on account of changes in exchange rates, using the relevant average rate of exchange of the National Bank of Poland as at the balance sheet date.
Foreign exchange gains and losses arising from the settlement of such transactions and from the translation of the monetary assets and liabilities as at the balance sheet date at the average rates of the National Bank of Poland at that date, are recognized at net value under finance income or finance cost in the Statement of Comprehensive Income. Non-monetary items that are measured at historical cost in foreign currency are translated at the historical exchange rate at the date of the transaction.

Revenue recognition

Sales revenue from products, commodities and materials is recognized at the time the goods are delivered when risks and rewards are transferred to a purchaser, and when it is probable that the entity will gain economic benefits from the transaction and when the amount of revenue can be reliably assessed.
Sales revenue from products, commodities, materials and services are stated at net value, less VAT and discounts.
Revenue is measured at fair value of the received or due payment.

Income tax

Income tax comprises current and deferred tax.
Liabilities arising from current tax result from the calculation of tax payable on taxable income according to general rules and rates specified in the Corporate Income Tax Act, in force in the given tax year, including deferred tax .
Deferred tax reflects the net tax effect of temporary differences between the carrying amounts of assets or liabilities and the amounts used for taxation purposes.
Deferred tax assets and liabilities are measured at binding tax rates that are expected to be applied when temporary differences realise, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized for deductible temporary differences and unused tax losses to the extent that it is probably that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are recognised for all taxable temporary differences.
The assets and liabilities are recognised regardless of when they are to be realised.
In the balance sheet, deferred tax assets and liabilities are classified and presented per account balance of both these values.

Effect of new standards and interpretations on the Company's financial statements

Amendments to standards or interpretations effective and applied by the Company from 2019

New or revised standards and interpretations effective from 1 January 2019, and their effect on the Company's statements:

- **New IFRS 16 Lease**

The new standard replaces IAS 17 and several interpretations. In addition to the change in the definition of lease, the standard modifies substantially accounting policies to apply by lessees: for each lease agreement, the standard requires recognising “the right to use” and the corresponding financial liability in the balance sheet. The right to use the asset is then amortised, while the liability is measured at amortised cost. In certain situations indicated in the standard, the lease liability is subject to revaluation whose effects are generally treated as an adjustment to the value of the right to use.

Simplification has been provided for short-term contracts (up to 12 months) and low-value assets. Under the simplified approach, lease liabilities in respect of these contracts are not disclosed.

The accounting treatment of leases for lessors is similar to the principles set out in the replaced IAS 17.
The new standard has a substantial impact on the Company’s financial statements. As at the application date, the Company was a party to:

- rental agreement made for the term until 2030, under which the Company had the right to use office and staff premises located in Środa Wielkopolska, ul. Plantaża 20;
- rental agreement made for an indefinite term, under which the Company had the right to use premises of the production and storage facility located in Kijewo;
- rental agreement made for an indefinite term, under which the Company had the right to use a storage tent located at the Company’s site in Środa Wielkopolska, ul. Harcerska.

The Company applied IFRS 16 under the modified retrospective approach, so the Company did not restate its comparative figures but the Company recognised the cumulative effect of initially applying

IFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application. Moreover, the Company used the following practical expedients permitted by the standard:
- the Company did not reassess whether a contract is, or contains, a lease at the date of initial application of IFRS 16; the Company applied the standard only to contracts that had been before that date identified as a lease under IAS 17 and IFRIC 4;
- the value of the right to use for all contracts that had been previously identified by the Company as an operating lease under IAS 17 at the date of initial application of IFRS 16 was determined in the amount of the lease liability adjusted to account for fees and prepayments disclosed in the statement of financial position preceding the date of initial application.

As the Company took the simplified approach, the Company used IAS 36 at the date of initial application of IFRS 16 to assess the need for recognizing impairment losses for the right-of-use assets.

As the Company applied IFRS 16, the Company recognized its rights to use at PLN 2 781 612.00 and an additional lease liability at PLN 2 127 736.28 as at the date of initial application. The rights to use are presented in note 1 to the statement of financial position, while additional lease liabilities are presented in note 15 as “Lease liabilities” item split to current (PLN 765 655.14) and non-current (1 362 081.14) portions.

- **Amendment to IFRS 9 “Financial instruments”**

The amendment allows instruments, whose earlier repayment will make the entity receive less than the sum of the principal and interest accrued (negative compensation), to be included in assets measured at amortised cost.

The amendment has no effect on the value of the Company’s assets and on the Company’s financial result; no transactions were made to which the amendment applies.

- **Amendment to IFRIC 23 “Uncertainty over Income Tax Treatments”**

The interpretation clarifies application of IAS 12 “Income Tax” requirements where there are uncertainties over income taxes and whether particular tax treatments will be accepted by tax authorities, including courts. A management should first consider whether it is probable that the tax authority will accept the tax treatment taken by the management. If the management concludes that it is probable that the treatment will be accepted, such treatment should be adopted in preparing financial statements. If the management concludes that it is not probable that the treatment will be accepted, it should reflect the effect of the uncertainties over tax treatment, using the most likely amount or the expected value method.
The new interpretation does not have any material effect on the Company's financial statements as the Company did not make transactions to which the amendment applies.

- **Amendment to IAS 28 “Investments in associates and joint ventures”**

The amendment to the standard clarifies that IFRS 9 should be applied to financial instruments, other than financial instruments measured using the equity method, in associates and joint ventures even if such instruments form part of the net investment with those entities.
The amendment to the standard had no impact on the Company’s financial statements as the Company does not have such financial instruments.

- **Amendments to IAS 12 "Income tax", IAS 23 "Borrowing costs", IFRS 3 "Business combinations", IFRS 11 "Joint arrangments"**

The following are minor amendments to standards introduced as part of annual changes in standards (2015-2017 cycle):

- IAS 12: The IASB clarified the method for recognizing the income tax consequences of dividends. An entity shall recognize such income tax consequences when it recognizes a liability to pay a dividend, provided that such consequences shall be recognised in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions.
- IAS 23: It is clarified that borrowings originally made specifically for financing an asset, which has been completed, shall be included in general borrowings whose cost may be later capitalized at the value of other assets
- IFRS 3: The IASB clarified that the requirements for a business combination achieved in stages, including the requirement to remeasure interests, shall also apply to previously held interest in a joint operation.
- IFRS 11: The Board clarified that a party, which participates in, but does not have joint control of, a joint operation, should not remeasure its interest in the joint operation when it obtains joint control of the joint operation.

The amendments did not have any impact on the Company's financial statements, because:

- the Company is not a party to transactions to which the amendments to IAS 12 apply;
- all adaptation of an asset of significant value is financed by the Company using external funds obtained specifically for that purpose;
- the Group does not conduct any joint operation within the meaning of IFRS 11.

Amendment to IAS 19 "Employee benefits"

According to the amendment, when an asset or net liability resulting from a defined benefit plan is remeasured as a result of any amendment, curtailment or settlement, an entity should:

- determine the current service cost and net interest for the period after the remeasurement, using the assumptions used for the remeasurement; and
- determine net interest for the remainder of the period based on the net asset or liability written down.

The amendment to the standard had no impact on the financial statements as the Company does not offer a post-emploment defined benefit plan to its employees.

The standards and interpretations applicable in versions published by the IASB, but not yet endorsed by the European Union, are listed below in the section on standards and interpretations that have not become effective.

Application of the standard or interpretation before its effective date

In these financial statements, voluntary early application of a standard or interpretation was not used.

Published standards and interpretations that have not become effective for the period beginning 1 January 2019 and their impact on the Company's statements.

Until the date of preparation of these consolidated financial statements, new or amended standards and interpretations effective for annual periods beginning after 2019 have been published. The following list includes also amendments, standards and interpretations not yet published by the European Union.

- **New IFRS 17 "Insurance Contracts"**

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. The standard replaces IFRS 4.
The Company estimates that the new standard will have no effect on the Company’s financial statements because the Company is not engaged in any insurance business.

The standard is effective for annual periods beginning on or after 1 January 2021.

- **Amendment to IAS 1 “Presentation of financial statements” and IAS 8 “Accounting policies, changes in accounting estimates and errors”**

The amendment introduces a new definition of material (relating to omissions and misstatements in financial statements). The old definition contained in IAS 1 and IAS 8 differed from that used in the Conceptual Framework for Financial Reporting, which was likely to create difficulties for entities in making judgments when preparing financial statements. The amendment aligns the definition across all IAS and IFRS standards in force.

The Company estimates that the new standard will have no effect on the Company’s financial statements as materiality judgments made to date are aligned with those made using the new definition.

The standard is effective for annual periods beginning on or after 1 January 2020.

Amendment to IFRS 3 “Business combinations”

The amendment changes the definition of a business, tacking the following issues:

- the amendment clarifies that, to be considered a business, an acquired set of assets and activities must also include an input and a substantive process that significantly contribute to the creation of returns;
- the amendment narrows the definition of returns to focus on goods and services provided to customers, and removes a reference in the definition to returns in the form of lower costs;
- the amendments adds guidelines and illustrative examples to help with the assessment of whether a process acquired as part of the combination is substantive;
- the amendment removes the assessment of whether the capability exists to replace a missing input or process, and to continue operate the business in order to produce returns; and
- the amendment adds an option for a simplified assessment of whether an acquired set of activities and assets is not business.

The amendment is effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, and must be applied to transactions which are asset acquisitions occurring on or after the beginning of such first annual reporting period. Therefore, the amendment will have no effect on the data disclosed in the Company’s hitherto financial statements. For the moment, the Company is not able foresee future business acquisition transactions either.

- **Amendments to references to the Conceptual Framework in IFRS**

The Board prepared a new version of the Conceptual Framework for Financial Reporting. For the reasons of consistency, references to the Conceptual Framework in particular standards have been adjusted accordingly.
The amendments are effective for annual periods beginning on or after 1 January 2020 and, according to the Company, will have no effect on the Company’s financial statements.

- **Amendments to IFRS 9, IAS 39, and IFRS 7**

The IASB introduced amendments to the hedge accounting in connection with the intended interest rate benchmark reform (WIBOR, LIBOR, etc.). The rates are often hedged, for example, where the IRS is the hedging instrument. The intended replacement of existing rates with new interest rate benchmarks raised doubts as to whether a forecast transaction continues to be highly probable or whether future hedged flows continue to be expected or whether there is an economic relationship between the hedged item and the hedging instrument. The amendments to the standards specify that prospective assessment should be performed on the assumption that the interest rate benchmark is not altered.

The amendments are effective for annual periods beginning on or after 1 January 2020.

As the Company does not apply hedge accounting, uncertainties arising from interest rate derivatives will have no effect on the Company's financial statements.

Amendments to IAS 1 "Presentation of financial statements"
The IASB clarifed the following two aspects of the classification of liabilities as current and non-current:

- the classification should be based on rights the entity enjoys as at a balance sheet date;
- management's intentions as regards acceleration or deferral of payment of liabilities should not be taken into account.

The amendments are effective for annual periods beginning on or after 1 January 2020. Given the fact that, for overdraft facilities extended for more than a year, the Company is guided by the Management's intention as regards repayment of such facilities, it is expected that balances of the facilities will be presented as non-current liabilities rather than current liabilities.

The Company intends to implement the regulations on dates specified by relevant standards or interpretations.

Środa Wielkopolska, 21 February 2020

Prepared by:
Emilia Topolska – Chief Financial Officer

Signed by /
Podpisano przez:
Emilia Topolska
Date / Data: 2020-03-26 13:00

Artur Gwardiak - President of the Board of Directors
Justyna Nowak-Gajek - Vice President

Signed by /
Podpisano przez:
Justyna Marta Nowak-Gajek
Date / Data: 2020-03-27 10:47

Signed by /
Podpisano przez:
Artur Gwardiak
Date / Data:
2020-03-27 11:29

STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED 31 DECEMBER 2019

ASSETS	**Note**	**31 December 2019**	**31 December 2018**
Fixed assets			
Property, plant and equipment	1	52 549 845.28	43 466 930.89
Intangible assets	2	345 997.88	136 333.32
Perpetual usufruct of land	3	2 314 637.00	2 314 637.00
Financial assets in other entities	4	0.00	0.00
Deferred tax assets	5	0.00	0.00
Fixed assets		**55 210 480.16**	**45 917 901.21**
Current assets			
Inventories	7	13 746 819.78	13 313 617.04
Trade accounts receivable from other entities, and other receivables	8	11 014 548.09	11 897 588.60
including: VAT receivable		*533 593.00*	*1 432 379*
Trade receivables from related entities	8	11 051 331.98	8 688 098.83
Current income tax receivables	9	0.00	0.00
Current prepayments and accrued income	10	270 995.57	296 585.27
Cash and cash equivalents	12	6 724 777.79	929 433.24
Current assets		**42 808 473.21**	**35 125 322.98**
Total assets		**98 018 953.37**	**81 043 224.19**

EQUITY AND LIABILITIES			
	Note	**31 December 2019**	**31 December 2018**
Equity			
Share capital	13	1 000 000	1 000 000
Share premium	13	3 607 059	3 607 059
Other capital	13	19 196 043	23 109 832
Retained earnings:		19 196 043	23 109 832
Total equity		**23 803 101**	**27 716 890**
Liabilities			
Non-current liabilities			
Loans and borrowings	15	-	-
Loans and borrowings from related entities	15	18 000 000	13 500 000
Deferred income tax liability	5	631 476	665 522
Employee benefit payables and provisions for employee benefits	8	557 772	504 222
Lease liabilities	15	1 362 081	437 500
Non-current accrued expenses and deferred income	10	173 830	172 407
Total non-current liabilities		**20 725 159**	**15 279 651**
Current liabilities			
Trade and other payables	17	17 626 445	18 619 374
including: VAT payable		-	-
personal income tax		*161 650*	*203 071*
Social Security Office		*765 804*	*743 032*
Special funds		*13 945*	*3 601*
Trade accounts payable to related entities	17	165 054	267 982
Loans and borrowings payable	15	28 521 828	16 048 222
Loans and borrowings payable to related entities	15	38 678	29 123
Lease liabilities	15	765 655	514 929
Employee benefit payables and provisions for employee benefits	17	1 299 440	1 372 206
Current income tax payable	17	673 189	979 415
Current accrued expenses and deferred income	10	4 400 404	215 432
Total current liabilities		**53 490 693**	**38 046 683**
Total liabilities		**74 215 852**	**53 326 334**
Total equity and liabilities		**98 018 953**	**81 357 604**

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2019

	Note	**31 December 2019**	**31 December 2018**
Continuing operations			
Revenue from sales of products	18	135 524 544	127 198 531
Revenue from sales of services	18	12 148	9 400
Revenue from sales of commodities and materials	18	3 594 617	1 980 317
Sales revenue		**139 131 309**	**129 188 248**
Other revenue	19	**637 820**	**901 572**
Increase/decrease in product inventories		1 310 182	502 051
Production cost of products for the entity's own purposes		(606 043)	(274 550)
Amortisation and depreciation		(4 431 820)	(4 180 446)
Consumption of materials and energy		(91 857 765)	(87 131 463)
External services		(14 392 158)	(12 130 093)
Taxes and charges		(303 370)	(298 011)
Payroll		(12 456 169)	(12 022 410)
Social security contributions and other benefits		(3 119 709)	(2 936 215)
Other costs by type		(454 379)	(352 222)
Value of goods and materials sold		(3 029 941)	(1 674 764)
Other costs	20	(441 150)	(241 921)
Total operating expenses		**(129 782 321)**	**(120 740 044)**
Gain on operating activities		**9 986 807**	**9 349 776**
Finance income	21	596	575
Finance cost	22	(1 453 898)	(987 986)
Net finance income and cost		**(1 453 302)**	**(987 411)**
Earnings before tax		**8 533 505**	**8 362 365**
Income tax	23	1 586 335	1 583 886
Net profit		**6 947 170**	**6 778 479**
Other comprehensive income:	13	245 851	3 043 232
Items not posted off to profit or loss			
Revaluation of property, plant and equipment		303 520	3 757 077

Income tax relating to items not posted off to profit or loss		(57 669)	(713 845)
Total comprehensive income		**7 193 021**	**9 821 711**

CASH FLOW STATEMENT
for the year ended 31 December 2019

	Note	01.01.2019-31.12.2019	01.01.2018-31.12.2018
Gross profit on continuing operations		**8 533 505**	**8 362 365**
Adjustments by:			
Amortisation and depreciation		4 431 820	4 180 446
Gain (loss) on foreign exchange		21 931	109 727
Interest and profit sharing (dividends)		982 895	1 229 293
Gain (loss) on disposal of property, plant and equipment		103 739	(229 932)
Increase/decrease in provisions		53 550	94 889
Increase/decrease in inventories		(433 203)	(241 468)
Increase/decrease in receivables		(1 490 597)	(4 963 996)
Increase/decrease in liabilities		(1 134 184)	8 394 882
Increase/decrease in prepayments and accruals		4 187 100	(800 691)
Income tax paid	23	(1 984 276)	(1 508 152)
Other adjustments		-	(464 731)
Net cash from operating activities		**13 272 280**	**14 162 633**
Investing activities			
Inflows from sales of property, plant, equipment and intangible assets		5 430	322 050
Inflows from sales of financial assets		-	-
Acquisition of property, plant, equipment and intangible assets		(11 648 649(	(13 919 729)
Prepayments for fixed assets		10 404	(10 404)
Acquisition of financial assets		-	-
Net cash from investing activities		**(11 632 815)**	**(13 597 679)**
Financing activities			
Loans and borrowings		16 973 606	2 129 313
Repayment of loans and borrowings received		-	-
Payments under financial lease contracts		(706 092)	(662 133)
Interest paid		(982 895)	(633 166)
Dividends and other payments to shareholders		(11 106 809)	(2 004 817)
Other financial inflows		-	464 731
Other financial outflow		-	(100 046)
Repayment of subsidy from the Company Fund for Rehabilitation of Disabled Persons		-	(496 082)
Net cash from financing activities		**4 177 810**	**(1 302 199)**
Increase/decrease in cash and cash equivalents		5 817 276	(737 245)
Effect of exchange rates changes on the foreign currency cash		(21 931)	(569)

balance			
Balance-sheet increase/decrease in cash		5 795 345	(737 814)
Cash and cash equivalents as at 1 January		**929 433**	**1 667 247**
Cash and cash equivalents as at 31 December		**6 724 778**	**929 433**
Restricted access cash		**4 195 697**	**42 030**

STATEMENT ON CHANGES IN EQUITY

	Share capital	Share premium	Retained earnings	Total equity
Equity as at 1 January 2019	**1 000 000**	**3 607 059**	**23 109 832**	**27 716 890**
Comprehensive income	-	-	245 851	245 851
Net profit for the period	-	-	6 947 170	6 947 170
Dividend distribution to shareholders	-	-	(11 106 809)	(11 106 809)
Distribution of profit earned in the prior period: carryforward (decrease)	-	-	-	-
Distribution of profit earned in the prior period: carryforward (increase)	-	-	-	-
Equity as at 31 December 2019	**1 000 000**	**3 607 059**	**19 196 043**	**23 803 101**
Equity as at 1 January 2018	**1 000 000**	**3 607 059**	**15 292 937**	**19 899 996**
Comprehensive income	-	-	3 043 232	3 043 232
Net profit for the period	-	-	6 778 479	6 778 479
Dividend distribution to shareholders	-	-	(2 004 817)	(2 004 817)
Distribution of profit earned in the prior period: carryforward (decrease)	-	-	-	-
Distribution of profit earned in the prior period: carryforward (increase)	-	-	-	-
Equity as at 31 December 2018	**1 000 000**	**3 607 059**	**23 109 832**	**27 716 890**

ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS
ADDITIONAL INFORMATION AND EXPLANATION

1. Property, plant and equipment

The Company presents assets classified to Group 1 and Group 2 using the revaluation model for measurement, which model is based on the fair value of assets.

The measurement is made using an appraisal report prepared by independent experts who are certified appraisers. The valuation is based on output data from an active market as at 31 December 2018. For the new warehouse building, which was entered into the fixed asset register on 31 July 2019, the measurement is based on output data from an active market as at 23 August 2019 and uses the appraisal report prepared by an independent expert, i.e. certified real estate appraiser Ms. Ewa Borkowska-Karwowska of Warsaw.

The carrying amount of the revalued asset (high-bay warehouse) is PLN 5 235 930.96 as at the balance sheet date; if the assets were stated at production cost, their carrying amount would be PLN 4 934 316.39.
The effects of the revaluation performed as at 31 July 2019 of the warehouse building classified into Group "1" increased the gross carrying value of property, plant and equipment, and depreciation by PLN 304 789.48 and PLN 1 269.98, respectively. The increase by PLN 303 519.50 is credited to other comprehensive income and recognized in the total amount of revaluation reserve.
As at 31 December 2019, no reappraisal was necessary – according to the Company's Board of Directors, there were no circumstances causing any change in the market value of property, plant and equipment belonging to Groups 1 and 2. The Board of Directors estimates that the appraisal prepared by the independent appraiser in late February/early March and in September 2019 continue to reflect the fair value of the property, plant and equipment belonging to Groups 1 and 2.

In 2019, the Company changed useful lives of film making and sealing machines, and extended economic useful lives up to 15 years. The said change was made based on the report of 7 October prepared by the verification commission headed by the technical manager; the change was approved by the Board of Directors on 10 October and made effective as of 1 January 2019.

	31.12.2018	**31.12.2018**
Land	-	-
Buildings and structures	16 810 379	10 241 739
Technical equipment and machinery	32 600 020	28 143 526
Motor vehicles	975 316	522 363
Other property, plant and equipment	479 069	254 635
Construction in progress	1 685 061	4 304 668
Total property, plant and equipment	**52 549 845**	**43 466 931**

The following is the gross value of fully depreciated assets that are still in use:

as at 31 December 2019	PLN 6 560 271
as at 31 December 2018	PLN 6 446 345

As of 1 January 2019, in accordance with IFRS 16, the Company recognized in the Company's statement of financial position the right-of-use assets and lease liabilities for lease contracts for: office and staff premises located in Środa Wielkopolska, ul. Plantaża 20; production and warehouse premises located in Kijewo; storage tent located at ul. Harcerska 16; AUDI passenger car; and Coemter sealing machine.

The following is the carrying value of property, plant and equipment held under rental agreements or finance lease contracts:

as at 31 December 2019 PLN 2 781 612
as at 31 December 2018 PLN 1 777 895

The following is the depreciation cost for particular groups of the assets specified herein above:

Buildings	377 185
Technical equipment and machinery	272 290
Motor vehicles	24 379
Other property, plant and equipment	36 939
Total depreciation	**710 793**

The table below shows acquisitions and disposals, and impairment losses for property, plant and equipment:

	Land	Buildings & structures	Technical equipment & machinery	Motor vehicles	Other property, plant, and equipment	Construction in progress	Total
For the period from 01 January through 31 December 2019							
Net carrying value as of 01 January 2019	-	*10 241 739*	*28 143 526*	*522 363*	*254 635*	*4 304 668*	*43 466 931*
Acquisition through business combination	-	-	-	-	-	-	-
Increase (acquisition, construction, lease)	-	7 121 508	7 826 030	571 988	370 362	1 685 061	17 574 950
Sale of a subsidiary (-)	-	-	-	-	-	-	-
Decrease (disposal, retirement)(-)	-	(20 000)	(108 836)	-	(64 565)	(4 304 668)	(4 498 069)
Revaluation to fair value (+/-)	-	304 789	-	-	-	-	304 789
Depreciation (-)	-	(837 657)	(3 260 700)	(119 035)	(81 363)	-	(4 298 756)
Impairment losses (-)	-	-	-	-	-	-	-
Reversal of impairment losses	-	-	-	-	-	-	-
Net currency translation profit/loss (+/-)	-	-	-	-	-	-	-
Net carrying value as at 31 December 2019	**-**	**16 810 379**	**32 600 020**	**975 316**	**479 069**	**1 685 061**	**52 549 845**
For the period from 01 January through 31 December 2018							
Net carrying value as of 01 January 2018	-	*7 964 204*	*22 977 975*	*399 766*	*208 430*	*226 782*	*31 777 157*
Acquisition through business combination	-	-	-	-	-	-	-
Increase (acquisition, construction, lease)	-	480 989	8 881 325	230 708	95 368	4 309 251	13 997 641

Sale of a subsidiary (-)	-	-	-	-	-	-	-
Decrease (disposal, retirement)(-)	-	(47 447)	(86 972)	(5 146)	-	(226 782)	(366 347)
Revaluation to fair value (+/-)	-	2 153 850	-	-	-	-	2 153 850
Depreciation (-)	-	(309 857)	(3 268 802)	(102 965)	(49 163)	-	(4 090 787)
Impairment losses (-)	-	-	-	-	-	-	-
Reversal of impairment losses	-	-	-	-	-	-	-
Net currency translation profit/loss (+/-)	-	-	-	-	-	(4 583)	(4 583)
Net carrying value as at 31 December 2018	**-**	**10 241 739**	**28 143 526**	**522 363**	**254 635**	**4 304 668**	**43 466 931**

The value of property, plant and equipment includes right-of-use assets with the following carrying value, for the following classes of underlying assets:

Underlying assets	**31 December 2019**
Land	-
Buildings and structures	1 411 867
Equipment and machinery	1 083 553
Motor vehicles	230 784
Other property, plant and equipment	55 408
Total depreciation	2 781 612

In the period from 1 January through 31 December 2019, the Company entered into one lease contract; the Company, however, did not revise lease terms for already existing lease contracts.

The following are future minimum lease payments under the lease contracts as at the balance sheet date:

	Payments under lease contracts, due			
	within 1 year	between 1 to 5 years	after 5 years	total
As at 31 December 2019				
Future minimum lease payments	**806 568**	**856 146**	**616 896**	**2 279 610**
Finance costs (-)				**-**
Current value of future minimum lease payments	**806 568**	**856 146**	**616 896**	**2 279 610**
As at 31 December 2018				
Future minimum lease payments	**522 441**	**443 876**	**-**	**966 317**
Finance costs (-)				**-**
Current value of future minimum lease payments	**522 441**	**443 876**	**-**	**966 317**

The Company does not recognize liabilities arising from short-term leases and leases for which the underlying asset is of low value. In addition, contingent lease payments are not included in the measurement of liabilities. In the reporting period from 1 January through 31 December 2019, the following were costs related to these items:

	From 01 January through 31 December 2019
Short-term lease	-
Lease of low-value assets	-
Variable lease payments	-
Total	-

In the period from 1 January through 31 December 2019, there was no income from sub-lease of right-of-use assets.

Impairment losses

In the accounting period from 1 January through 31 December 2019, the Company did not identify any need for recognizing impairment losses for property, plant and equipment.

2. Intangible assets

The table below shows acquisitions and disposals, and impairment losses for intangible assets:

	Trademarks, licences	**Computer software**	**Total**
For the period from 01 January through 31 December 2019			
Net carrying value as of 01 January 2019	-	136 333	136 333
Acquisition through business combination	-	-	-
Increase (acquisition, construction, lease)	-	259 766	259 766
Sale of a subsidiary (-)	-	-	-
Decrease (disposal, retirement)(-)	-	-	-
Revaluation to fair value (+/-)	-	-	-
Amortisation (-)	-	(50 101)	(50 101)
Impairment losses (-)	-	-	-
Reversal of impairment losses	-	-	-
Net currency translation profit/loss (+/-)	-	-	-
Net carrying value as at 31 December 2019	**-**	**345 998**	**345 998**
For the period from 01 January through 31 December 2018			
Net carrying value as of 01 January 2018	-	163 822	163 822
Acquisition through business combination	-	-	-
Increase (acquisition, construction, lease)	-	62 170	62 170
Sale of a subsidiary (-)	-	-	-
Decrease (disposal, retirement)(-)	-	-	-
Revaluation to fair value (+/-)		-	-
Amortisation (-)	-	(89 659)	(89 659)
Impairment losses (-)	-	-	-
Reversal of impairment losses	-	-	-
Net currency translation profit/loss (+/-)	-	-	-
Net carrying value as at 31 December 2018	**-**	**136 333**	**136 333**

3. Perpetual usufruct right

The Company uses state-owned land of 23 744 m2, located at Środa Wielkopolska, ul. Harcerska 16.

The perpetual usufruct right was measured as at 31 December 2018, using the appraisal report prepared by independent experts who are certified appraisers, and is based on output data from the active market. There was no need for any re-measurement as at 31 December 2019.

	31.12.2019	**31.12.2018**
Perpetual usufruct right - value at acquisition cost	2 314 637	711 410
Increase/decrease in value (revaluation)	-	1 603 227
Book value:	**2 314 637**	**711 410**

4. Investments in other entities

Interests and loans advanced	**31.12.2019**	**31.12.2018**
Beginning of the period	-	-
Increase	-	-
Set-off against liabilities	-	-
Decrease	-	-
End of the period	-	-

ADDITIONAL INFORMATION

Note 5 - Deferred tax liabilities and assets, increase/decrease for each deferred tax liability/asset type:

	as at 01.01.2019	*decrease*	*increase*	***as at 31.12.2019***
Deferred tax liabilities	**979 902**	**150 970**	**130 062**	**958 994**
including:				
unrealized foreign exchange gains on receivables	*1 924*	*1 924*	*-*	*-*
unrealized foreign exchange gains on payables	*628*	*628*	*8 180*	*8 180*
liabilities arising from purchase bonuses	*36 697*	*36 697*	*64 575*	*64 575*
difference between right to use and liability	*155 699*	*28 379*	*-*	*127 320*
difference between depreciation for balance-sheet and tax purposes: components	*71 109*	*67 146*	*-*	*3 963*
difference between depreciation balance-sheet and tax purposes: buildings and premises	*713 845*	*16 196*	*57 307*	*754 956*
Deferred tax assets	**314 380**	**109 371**	**122 509**	**327 518**
including:				
unrealized foreign exchange losses on receivables	*3 757*	*3 757*	*17 106*	*17 106*
unrealized foreign exchange losses on payables	*7 606*	*7 606*	*5 213*	*5 213*
unpaid remuneration and labour burdens on remuneration	*74 654*	*74 654*	*78 918*	*78 918*
unpaid interest and charges on liabilities arising from loans and borrowings	*14 036*	*12 611*	*17 729*	*19 154*
differences between right to use and liability	*-*	*-*	*3 543*	*3 543*
other unpaid employee benefits	*214 327*	*10 743*	*-*	*203 584*
Total deferred income tax	**665 522**	**41 599**	**7 553**	**631 476**

In this Statement of Financial Position, deferred income tax assets and deferred income tax liabilities are disclosed per account balance of both these values. Comparative figures as at 31 December 2018 are restated accordingly.

Note 6 – Provision for other liabilities

	31.12.2019	**31.12.2018**
Provision for employee benefits	**1 071 495**	**1 128 039**
including: non-current	*557 772*	*504 222*
current	*513 723*	*623 818*

The table below shows increases/decreases in all provisions, for all provision types:

	as at 01.01.2019	*decrease*	*increase*	*as at 31.12.2019*
Provisions for employee benefits	***1 128 039***	***1 128 039***	***1 071 495***	***1 071 495***
for accrued holiday entitlement	*623 818*	*623 818*	*513 723*	*513 723*
for retirement gratuities	*167 736*	*167 736*	*175 072*	*175 072*

for service anniversary awards	*336 486*	*336 486*	*382 700*	*382 700*

Deferred income tax liabilities	***979 902***	***150 970***	***130 062***	***958 994***
unrealized foreign exchange gains on receivables	*1 924*	*1 924*	-	-
unrealized foreign exchange gains on payables	*628*	*628*	*8 180*	*8 180*
liabilities arising from purchase bonuses	*36 697*	*36 697*	*64 575*	*64 575*
operating lease (net value/liabilities)	*155 699*	*28 379*	-	*127 320*
fixed assets: components (net value/liabilities)	*71 109*	*67 146*	-	*3 963*
revaluation: fixed assets (net value/liabilities)	*713 845*	*16 196*	*57 307*	*754 956*

Note 7 – Inventories

The inventories include raw materials and other consumables (48.8%), commodities (2.3%), and work in progress and finished products (48.9%).

	31.12.2019	**31.12.2018**
Materials	6 708 018	7 548 708
Commodities	311 514	347 803
Finished products	4 443 776	3 678 586
Work in progress	2 283 512	1 738 520
	13 746 820	**13 313 617**

As at 31 December 2018 and 31 December 2018, the Company's inventories were not pledged by the Company to secure its liabilities.

7.1. Allowances for inventories

As at the balance sheet date, the Company performs an inventory age structure analysis for materials, commodities and products in warehouses, and makes an individual assessment of whether they are likely to be used in the nearest future or of a realizable price as at the balance sheet date, and on the basis thereof, the Company makes a decision on making an allowance. The Company did not make any allowance for inventories as the analysis had not identified such a need.

The value of eliminated inventories was PLN 84 610.60 and PLN 105 713.99 in the period from 1 January through 31 December 2019 and 1 January through 31 December 2018, respectively.

7.2. Increase/decrease in allowances: creation and reversal of allowances for inventories

	from 1.01.2019 through 31.12.2019	**from 1.01.2018 through 31.12.2018**
Allowances for inventories as at the beginning of the period	-	-
Creation of allowances	-	-
Reversal of allowances	-	-
Allowances for inventories as at the end of the period	-	-

ADDITIONAL INFORMATION

Note 8 - Trade and other receivables

	31.12.2019	31.12.2018
Trade accounts receivable from related entities	**11 051 332**	**8 688 099**
Trade accounts receivable from other entities	10 568 069	10 506 118
Allowances for receivables	(93 813)	(44 954)
Other receivables	6 700	4 046
VAT receivable	533 593	1 432 379
Current receivables	**11 014 548**	**11 897 589**

Trade receivables are recognised at originally invoiced amounts. Receivables are usually due within 30, 45 or 60 days (for clients from the Group). Allowances for receivables are made based on individual assessment of probability of receiving payment.

8.1. Allowances for receivables

The Company carries out a revaluation of trade receivables at each balance sheet date.

In determining the recoverability of trade receivables, changes in trade receivables from the date of granting the trade credit until the date of preparing the financial statements are taken into account. Credit risk concentration occurs for customers who are in arrears with payment for commodities they received.

The Company makes an allowance for overdue receivables based on individual assessment of probability of receiving overdue payment, and based on past experience.

In the period under review from 1 January through 31 December 2019, an analysis of the receivables identified the need for an allowance amounting to PLN 86 359.30 relating to the penalty for the failure to deliver to the following customers after the change in the product range: Lidl CZ, RO, HU, SI, SK, HR, and BG.

In the period under review, the Company released the allowance for receivables from Alfa Opakowania Sp. z o.o., that had been created in the amount of PLN 37 500.00 in 2017. On 29 May 2019, the Court Enforcement Officer issued a decision to discontinue enforcement proceedings, finding enforcement ineffective.

8.2. Increase/decrease in allowances: creation and reversal of allowances for receivables

	from 1.01.2019 through 31.12.2019	from 1.01.2018 through 31.12.2018
Allowances for receivables as at the beginning of the period	**44 954**	**37 500**
Creation of allowances	86 359	7 454
Reversal of allowances	(37 500)	-
Allowances for receivables as at the end of the period	**93 813**	**44 954**

8.3. Age structure analysis for trade receivables which are past due but not impaired:

	Past due but collectible				
	<30 days	31-60 days	61-90 days	91-120 days	> 120 days
As at:					
31 December 2019	**4 734 158**	**125 014**	**-**	**111 467**	**-**
31 December 2018	2 968 660	36 156	-	-	-
1 January 2018	2 355 611	208 240	53 875	4 339	-

8.4. Currency structure of current trade receivables

	31.12.2019	**31.12.2018**
Receivables in local currency	16 279 247	12 194 268
Receivables in foreign currencies	5 340 154	6 999 948
	21 619 401	19 194 217

	31.12.2019	**31.12.2018**
Receivables in EUR	5 340 154	5 578 782
Receivables in USD	-	1 421 167
	5 340 154	6 999 948

This specific structure of the receivables exposes the Company to foreign currency risk, which the Company tries to mitigate, primarily by balancing currency items of receivables and payables stated in foreign currencies. The following are realised foreign exchange losses and gains recognised in the Statement of Comprehensive Income under finance cost or income, respectively:

	finance income	**finance cost**
for the period from 1 January through 31 December 2019	373 881	402 302
for the period from 1 January through 31 December 2018	350 951	315 867

Note 9 - Income tax receivable

	31.12.2019	31.12.2018
	-	-
	-	-

ADDITIONAL INFORMATION

Note 10 – Other assets, equity and liabilities

Prepayments and accrued income - assets	31.12.2019	31.12.2018
Insurance	7 900	5 229
Annual service fee of Exact	28 569	23 180
Spare parts	-	-
Other	51 502	8 511
VAT to be settled	183 024	259 666
Other arising from subsidy-related advance payments	-	-
	270 996	**296 586**

Accruals and deferred income - liabilities	31.12.2019	31.12.2018
Deferred income		
subsidies to finance fixed assets	226 657	225 234
other (including fixed assets financed through the Company Fund for Rehabilitation of Disabled Persons)	-	-
	226 657	**225 234**
Other current accruals and deferred income	**4 347 577**	**162 605**
Including: finance cost settlements	69 633	44 749
subsidies – advance payment to be settled	1 160 123	
	4 347 577	**162 605**
Deferred income		
non-current	173 830	172 407
current	4 400 404	215 432
	4 574 234	**387 839**

Subsidies received by the Company are recognised as deferred income in "Accruals and deferred income".
In 2013, the Company contracted the loan with Bank Handlowy, with 10% financial support for energy efficiency, for the total amount of EUR 107 165 (PLN 453 171.94) for three sealing machines, of which proceeds of PLN 129 256,21 remained unsettled as at 31 December 2019. Between 2016 and 2019, the Company received funding from the District Labour Office to finance the purchase of forklift trucks, IT equipment, and a control panel with a touchpad, in the total net amount of PLN 119 290.00, of which proceeds of PLN 97 401.09 remained unsettled as at 31 December 2019.

Pursuant to the agreement of 27 September 2019, as part of the POIR.01.01.-00-03/0379/19 project, the Company received subsidies for the development and implementation of high-performance automated and robotic technology for manufacturing knurled eco-friendly garbage bags from threelayer free-blown extruded film. The eligible cost of the project is PLN 90 225 418.75, including the co-financing of PLN 42 127 098.75. The project is divided into two parts: industrial research and development work. The eligible cost for industrial research is PLN 24 147 725.00, including the co-financing of PLN 15 696 021.25. For development work, the eligible cost is PLN 66 077 693.75, including the co-financing of PLN 26 437 077.50 PLN. In December 2019, the Company received an advance payment of PLN 4 200 000.00, including PLN 39 876.86 as eligible costs to be refunded until 31 December 2019. Proceeds from the subsidy are calculated by the Company according to the project progress.

ADDITIONAL INFORMATION

Note 11 - Transactions with related entities

	Gain on operating activities	
	from 01.01. through 31.12.2019	from 01.01. through 31.12.2018
Sales to:		
Parent	27 818 300	27 699 900
Other related entities	21 032 118	21 136 663
Total	**48 850 418**	**48 836 563**

	Receivables	
	as at 31.12.2019	as at 31.12.2018
Sales to:		
Parent	7 788 415	4 881 374
Other related entities	3 262 917	3 806 724
Total	**11 051 332**	**8 688 098**

	Purchase (costs, assets)	
	from 01.01. through 31.12.2019	from 01.01. through 31.12.2018
Purchase from:		
Parent	158 421	110 639
Other related entities	4 513 009	3 226 622
Total	**4 671 429**	**3 337 261**

	Liabilities	
	as at 31.12.2019	as at 31.12.2018
Purchase from:		
Parent	38 964	34 920
Other related entities	348 156	248 525
Total	**387 120**	**283 445**

	31.12.2019		31.12.2018	
	Advanced in the period	**Accumulated balance**	**Advanced in the period**	**Accumulated balance**
Loans advanced to:				
Parent	-	-	-	-
Subsidiary	-	-	-	-
Associated entity	-	-	-	-
Joint vanture	-	-	-	-
Other related entities	-	-	-	-
Total	-	-	-	-

	31.12.2019		31.12.2018	
	Received in the period	Accumulated balance	Received in the period	Accumulated balance
Loans received from:				
Parent	4 500 000	18 000 000	13 500 000	13 500 000
Subsidiary	-	-	-	-
Associated entity	-	-	-	-
Joint venture	-	-	-	-
Other related entities	-	-	-	-
Total	**4 500 000**	**18 000 000**	**13 500 000**	**13 500 000**

ADDITIONAL INFORMATION

Note 12 - Cash and cash equivalents

	31.12.2019	31.12.2018
in hand	22 650	8 681
at banks	2 506 431	873 178
deposited on the account of the Company Employee Benefit Fund	12 850	42 030
deposited on the account of the Company Fund for Rehabilitation of Disabled Persons	-	5 545
deposited on the project account - subsidy	4 182 846	
	6 724 778	**929 433**
in local currency	4 437 275	172 621
in foreign currencies	2 287 503	756 813
	6 724 778	**929 433**
Cash in EUR	532 601	742 059
Cash in USD	5 114	14 754

Excepts funds deposited on the accounts of the Company Employee Benefit Fund and on the subsidy account, the Company has no other restricted access funds. As far as cash is concerned, concentration of credit risk is limited; the Company maintains cash in several recognised financial institutions. These are: Santander Bank SA, BNP Paribas SA, and Bank Millennium SA. Effective on 31 July 2019, the Company ended its customer relationship with Bank Handlowy and terminated the bank accounts agreement.

Note 13 - Share capital

As at 31 December 2019, the share capital of Polipak Sp. z o.o. was PLN 1 000 000.00 and comprised:

8 000 shares of PLN 100 each, held by Sarantis Polska S.A. of Piaseczno	800 000
2 000 shares held by GNI Investments Grzegorz Nowak spółka jawna of Poznań	200 000
	1 000 000

Pursuant to the Company's Articles of Association of 11 April 2005, executed in the form of a notary's deed entered into the roll of deeds under no. A/2903/2005, the supplementary capital is the surplus of assets value over the par value of the shares of PPH "GG Plast" Grzegorz Nowak i Wspólnicy Spółka jawna PPH "GG Plast" Grzegorz Nowak i Wspólnicy Spółka jawna transformed into GG Plast spółka z o.o.

	31.12.2019	31.12.2018

3 607 059 3 607 059

Retained earnings include the following items:

	31.12.2019	31.12.2018
supplementary capital	1 422 790	5 751 120
reserve capital	7 537 000	7 537 000
revaluation reserve	3 289 083	3 607 059
net profit	6 947 170	6 778 479
undistributed profit of prior years	-	-
Total retained earnings	**19 196 043**	**23 673 658**

The revaluation reserve was PLN 3 289 082.69 as at the 31 December 2019, and included:

	31.12.2019	31.12.2018
Revaluation of property, plant and equipment	303 520	3 757 077
Provision for income tax relating to revaluation of fixed assets, on items not posted off to profit or loss	(57 669)	(713 845)
	245 851	**3 043 232**

The revaluation reserve from the revaluation of property, plant and equipment comes from the revaluation of land, buildings and structures located in Środa Wielkopolska, ul. Harcerska 16.
The revaluation was performed based on the appraisal report prepared by independent real estate appraisers of Kancelaria Lis, Mizera i Wspólnicy Sp. z o.o. of Poznań as at 31 December 2018 as well as based on the appraisal report prepared by independent real estate appraiser Ms. Ewa Borkowska-Karwowska of Warsaw as at 23 August 2019.

The carrying amount of the asset (high-bay warehouse) increased as a result of the revaluation, and the surplus resulting from the revaluation is posted off directly to other comprehensive income and disclosed in the total amount in the revaluation reserve. The difference between the carrying amount of revalued assets and the value of the same for tax purposes constitutes a temporary difference; the deferred tax liability is recognised in other comprehensive income.

In the event that a revalued plant, property or equipment is sold, an effectively realised portion of revaluation reserve associated with an asset is posted off directly to retained earnings. The revaluation reserve is not available for distribution.

The Company monitors the level of capital based on the carrying amount of equity, manages capital to ensure the Company's ability to continue as a going concern and to ensure owners the expected rate of return.
The capital-to-total financing sources ratio was 0.24 in 2019.

Reserve capital

The Company was creating its reserve capital from a portion of its profit generated in previous years and was accumulating such capital for a long period of time. As at 31 December 2019, the reserve capital was LN 7 537 000.00.

Supplementary capital

The Company was creating its supplementary capital as decided by the Meeting of Shareholders, from a portion of its profit, and was accumulating such supplementary capital for years. In 2019, the Meeting of Shareholders adopted the resolution to distribute retained earnings from 2016 to 2018 in the total amount of PLN 8 395 417.81 to shareholders. As at 31 December 2019, the reserve capital was PLN 1 422 790.04.

ADDITIONAL INFORMATION

Note 14 - Proposed distribution of the Company's profit for 2019

Pursuant to the Company's Articles of Association, the Board of Directors proposes that the net profit of PLN 6 947 170.13 for 2019 should be distributed as follows:

40% among the Company's shareholders, in proportion to the number of shares held by them
60% for the reserve capital

Note 15 - Financial liabilities

15.1. Loans and borrowings payable

	31.12.2019	31.12.2018
overdraft facility - CH	-	8 219 062
investment loan - CH	-	-
investment loan - PFP	-	76 500
loan for current purposes - Sarantis Polska	3 000 0000	3 000 000
investment loan - Sarantis Polska	15 000 0000	10 500 000
overdraft facility - BNP Paribas SA	13 753 946	7 752 660
Overdraft facility - Bank Millenium SA	14 767 882	-
	46 521 828	**29 548 22**

	31.12.2019	31.12.2018
non-current liabilities	18 000 000	13 500 000
current liabilities	28 521 828	16 048 222
	46 521 828	**29 548 222**

	31.12.2019	31.12.2018
in local currency	46 521 828	29 548 222
in foreign currencies (EUR)	-	-
	46 521 828	**29 538 222**

	31.12.2019	31.12.2018
loan in EUR	**-**	**-**

15.2. Loans payable to related entities

	31.12.2019	31.12.2018
Sarantis Polska SA - loan for current operations	3 000 000	3 000 000
Sarantis Polska SA – investment loan	15 500 000	10 500 000
	18 500 000	**13 500 000**

The following are liabilities as at 31 December, arising from the loan granted by Sarantis Polska SA:

	31.12.2019	31.12.2018
	38 678	29 123

As at 31 December 2019, the Company had loans provided by the followings banks:

1. BNP Paribas SA
Overdraft facility under agreement no. WAR/3012/16/141/CB of 01 July 2016.
The Bank granted the line of PLN 10 000 000 to the Company, for the purpose of financing current operations.
By Annex No. 4 of 19 July 2019, the limit has been changed to USD 5 500 000.00.

The liability arising from the facility is PLN 13 753 945.79 as at 31 December 2019. The line remains available until 29 July 2020.

On the actually used portion of the facility, the bank charges interest at a variable rate of WIBOR 1M plus bank margin of 0.9 pp per annum for the PLN portion and EURIBOR 3M plus bank margin of 1.3 pp per annum for the EUR and USD portion.

Pursuant to Annex no. 3, the line is secured with:
- unconditional, irrevocable corporate guarantee up to USD 11 000 000.00, issued by Gr. Sarantis and payable on each and every demand;
- Borrower's statement on submission to collection proceedings under Article 777 up to USD 11 000 000,00;
- Sarantis PL's statement on submission to collection proceedings under Article 777 up to USD 11 000 000,00.

2. Bank Millennium S.A.
PLN 13 000 000.00 overdraft facility under multi-product line agreement no. 12040/18/M/04 of 14 December 2018, for the purpose of financing current operations.
By Annex no. A1/12040/18/M/04 of 14 June 2019, the limit has been changed and the global limit of PLN 20 000 000.00 with the overdraft sublimit of PLN 18 000 000.00 has been introduced.

On the actually used portion of the facility, the bank charges interest at a variable rate of WIBOR 1M plus bank margin of 0.6 pp per annum for the PLN portion and EURIBOR 1M plus bank margin of 0.80 pp per annum for the EUR portion. The front-end-fee is PLN 5 000.00 charged as follows: PLN 100.00 upon disbursement and PLN 4 900.00 on the agreement anniversary date; plus the fee of PLN 5 000.00 for the change made by Annex no. A1.
Pursuant to Annex no. 2A/12040/18/M/04 of 21 August 2019, the facility is secured with:
- Borrower’s statement on submission to collection proceedings under Article 777 up to PLN 32 000 000.00;
- corporate guarantee issued by Gr Sarantis SA for up to PLN 20 000 000.00 valid until 13 March 2024;
- surety up to PLN 20 000 000.00 provided by Sarantis Polska SA until 12 October 2020.

The facility remains available until 31 December 2020; the liability is PLN 14 767 882.43 as at 31 December 2019.

3. Sarantis Polska S.A of Piaseczno

The Company utilizes the loan granted by Sarantis Polska S.A. under the following two agreements:
- loan agreement of 29 January 2016 with the Annex of 24 March 2016, Annex of 15 December 2017, Annex of 10 September 2018, and Annex of 5 December 2018, under which Sarantis granted Polipak the loan of PLN 3 000 000 to finance current operating activities of Polipak. The loan repayment deadline is 31 December 2020;
- loan agreement of 24 March 2016 with the Annex of 15 December 2017, Annex of 10 September 2018, Annex of 5 December 2018, and Annex of 05 September 2019 under which Sarantis increased the amount of the loan up to PLN 15 000 000.00 to be disbursed in amounts and on dates to be agreed on by the parties on an on-going basis. The loan repayment deadline is 31 December 2020. The loan is for the current and investing business activities. The liability arising from the loan is PLN 15 000 000 as at 31 December 2019.

The Lender is entitled to charge interest on the loans at a variable rate of WIBOR 1M plus margin of 1.1 pp per annum, accruing at the end of each month and due by the 10th day of the following month; provided, however, that the margin first changed to 1.0 pp starting from 1 February 2017 onwards, and then to 0.9 pp from 13 September 2018 onwards.

In 2019, total interest on the open loans was PLN 339 763.07.

15.3. Lease

Under rental agreements and finance lease contracts, the Company uses:

- real property located in Środa Wielkopolska, ul. Plantaża 20, comprising the office and staff premises with the total area of 240m^2. The agreement provides for the payment of PLN 11 056.00, including the rental fee of PLN 8 568.00 and the charge of PLN 2 488.00 for utilities. The agreement has been made for a definite term until 31 December 2030.
- real property located in Środa Wielkopolska, ul. Brodowska, comprising the storage facility. The agreement has been made for a definite term until 30 June 2021. The agreement provides for the payment of PLN 3 172.00.
- real property located in Kijewo, comprising the production and storage facility with the total area of 2 132 m^2. The agreement provides for the monthly payment of PLN 24 871.68.
- AUDI passenger car under the finance lease contract of 16 August 2019, with the term until 16 August 2023, and a buyout option. The monthly payment is PLN 2 687.30.
- Coemter sealing machine under the 6-year finance lease contract of 29 January 2015 with a buyout option.

The following are future minimum rental payments and the net current value of minimum payments:

Liabilities:	
Liabilities due within 1 year	806 568
Liabilities due between 1 to 5 years	856 146
Liabilities due after5 years	616 896
	2 279 610
Net current value:	
Liabilities due within 1 year	765 655
Liabilities due between 1 to 5 years	862 572
Liabilities due after 5 years	499 509

2 127 736

The total cost of interest on lease and rental liabilities was PLN 60 115.78 in 2019.

ADDITIONAL INFORMATION

Note 16 - Financial instruments

The value of financial assets presented in the Statement of Financial Position relates to the following categories of financial instruments specified in:

IFRS 9:

1 – measured at amortised cost (MAC)
2 – measured at fair value through other comprehensive income (MFV-CI)
3 – measured at fair value through profit or loss (MFV-PL)
4 – capital instruments measured at fair value through other comprehensive income (CIMFV-CI)
5 – hedging instruments (HI)

Financial asset class	Financial instrument categories as per IFRS 9					Total
	MAC	MFV-CI	MFV-PL	CIMFV-CI	HI	
As at 31.12.2019						
Fixed assets:						
Receivables and loans	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Other non-current financial assets	-	-	-	-	-	-
Current assets:						
Trade and other receivables	21 532 287	-	-	-	-	21 532 287
Loans	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Cash and cash equivalents	6 724 778	-	-	-	-	6 724 778
Total financial asset categories	28 257 065	-	-	-	-	28 257 065

Financial asset class	Financial instrument categories as per IFRS 9					Total
	MAC	MFV-CI	MFV-PL	CIMFV-CI	HI	
As at 31.12.2018						
Fixed assets:						
Receivables and loans	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Other non-current financial assets	-	-	-	-	-	-
Current assets:						
Trade and other receivables	19 153 308	-	-	-	-	19 153 308
Loans	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-
Cash and cash equivalents	929 433	-	-	-	-	929 433
Total financial asset categories	20 082 74	-	-	-	-	20 082 742

The value of financial liabilities presented in the consolidated Statement of Financial Position relates to the following categories of financial instruments specified in:

IFRS 9:

1 – measured at amortised cost (MAC)
2 – measured at fair value through profit or loss (MFV-PL)
3 – financial guarantee contract (FGC)
4 – contingent consideration in a business combination (CC-BC)
5 – hedging instruments (HI)

Financial liability class	Financial instrument categories as per IFRS 9					Total
	MAC	MFV-PL	FGC	CC-BC	HI	
As at 31.12.2019						
Non-current liabilities:						
Loans, borrowings, and other financial instruments	18 000 000	-	-	-	-	18 800 000
Other liabilities	-	-	-	-	-	-

Current liabilities:						
Trade and other payables	16 850 099	-	-	-	-	16 850 099
Loans, borrowings, and other debt instruments	28 560 506	-	-	-	-	28 560 506
Derivative financial instruments	-	-	-	-	-	-
Total financial liability categories	63 410 605	-	-	-	-	63 410 605

Financial liability class	Financial instrument categories as per IFRS 9					Total
	MAC	MFV-PL	FGC	CC-BC	HI	
As at 31.12.2018						
Non-current liabilities:						
Loans, borrowings, and other financial instruments	13 500 000	-	-	-	-	13 500 000
Other liabilities	-	-	-	-	-	-
Current liabilities:						
Trade and other payables	17 937 652	-	-	-	-	17 937 652
Loans, borrowings, and other debt instruments	16 077 345	-	-	-	-	16 077 345
Derivative financial instruments	-	-	-	-	-	-
Total financial liability categories	47 514 997	-	-	-	-	47 514 997

ADDITIONAL INFORMATION

Note 17 - Current trade and other payables

	31.12.2019	31.12.2018
Trade accounts payables to related entities	286	235 904
Other payables to related entities	164 768	32 078
	165 054	**267 982**

Trade and other payables	17 626 445	18 619 374
including: VAT payable	-	-
personal income tax	*161 650*	*203 071*
Social Security Office	*765 804*	*743 032*
Special funds	*13 945*	*3 601*
Other financial liabilities	745 404	514 929
Employee benefits payable	1 299 440	1 372 206
including: provisions for other employee benefits	*513 723*	*623 818*
Income tax payable	673 189	979 415
Total current liabilities	**20 509**	**21 753 906**

Trade payables bear no interest and are settled within various deadlines. Trade payables relating to raw materials such as granules, reprocessed granules, colorants and additives, cardboard boxes, labels are usually due within 30-90 days.

Other liabilities are usually due within 14 or 30 days.

Interest on late payments is paid upon a receipt of a relevant debit note, within a relevant deadline.

Personal income tax payables are those resulting from tax returns for December 2019, while Social Security Office liabilities are relating to statements for December 2019 and January 2020.

Currency structure of current trade payables

	31.12.2019	31.12.2018
Local currency payables	8 361 759	10 157 521
Foreign currency payables	8 216 230	7 780 132
	16 577 989	**17 937 652**

	31.12.2019	31.12.2018
Payables in EUR	8 216 230	7 405 291
Payables in USD	-	374 841

Note 17.1 - Current income tax payable

	31.12.2019	31.12.2018
income tax	673 382	979 415
including: corporate income tax	*673 382*	*979 415*

Note 17.2 - Current employee benefits payable

	31.12.2019	31.12.2018
employee benefits	1 299 440	1 372 206
including: current provisions for other payables arising from accrued holiday entitlement	*513 723*	*623 818*

ADDITIONAL INFORMATION

Note 18 - Sales revenue

The Company was performing a single type of a business activity that was considered its core business: the Company was generating revenue from sales of products, constituting 97.4% of its total revenue.

The following division into two geographic segments applies: activity in Poland and within the EU and outside the EU. The segmentation is done based on the Company's assets location.

	1 January 2019 31 December 2019	**1 January 2018 31 December 2018**
Revenue from sales of products	135 524 544	127 198 531
Revenue from sales of services	12 148	9 400
Revenue from sales of commodities and materials	3 594 617	1 980 317
	139 131 309	**129 188 248**
Domestic sales revenue	57 205 354	55 052 652
Foreign sales revenue	81 925 954	74 135 596
	139 131 309	**129 188 248**

As far as revenue from sales of products is concerned, the following table shows a structure of clients that represent 10% or more of the Company's total revenue:

Client	2019		2018	
	PLN	%	PLN	%
Sarantis PL	27 814 134	19.99	27 697 451	21.44
Lidl PL	16 917 063	12.16	16 576 082	12.83
GR Sarantis	-	-	14 904 140	11.54

ADDITIONAL INFORMATION

Note 18 - Other operating income

	1 January 2019 31 December 2019	1 January 2018 31 December 2018
Gains on disposal of assets:	-	229 932
Gain on the sale of fixed assets	-	229 932
Subsidies	**457 372**	**578 521**
Wage and salary subsidies, other subsidies	404 545	464 731
Depreciation of fixed assets in the part financed with the subsidy, funds from the Company Fund for Rehabilitation of Disabled Persons and energy efficiency support	52 827	113 790
Other operating income	**180 447**	**93 119**
bonuses on purchases	-	-
reimbursement of social security contributions and PZU insurance premiums	-	-
inventory differences	-	-
other	180 447	93 119
Attributable to continuing operations	**637 820**	**901 572**
Attributable to discontinued operations	-	-

Other operating income includes revenues and gains that are not directly connected with the Company's operating activities.

This category includes wage and salary subsidies for the disabled persons employed, financial support from the Labour Office, gains on the sale of property, plant and equipment, damages received, and reimbursement of property and personal insurance premiums overpaid, reversal of allowances for receivables, impairment losses relating to fixed assets, and inventory differences.

Note 20 - Other operating expenses

	1 January 2019 31 December 2019	1 January 2018 31 December 2018
Loss on disposal of assets:	103 739	**-**
Loss on the sale of fixed assets	*103 739*	-
Other operating expenses	**337 411**	**241 921**
costs arising from inventory differences	-	105 714
donations	10 224	9 470
bad debt written off	-	-
Allowance for receivables	86 359	7 454
other	240 828	119 283
Attributable to continuing operations	441 150	241 921
Attributable to discontinued operations	-	-

Other operating expenses include costs and losses that are not directly connected with the Company's operating activities. This category includes losses on the sale of fixed assets, donations to other entities, whether in kind or in cash.

Other operating expenses include also costs of allowances for receivables and inventories, as well as impairment losses.

ADDITIONAL INFORMATION

Note 19 - Finance income

	1 January 2019 31 December 2019	1 January 2018 31 December 2018
Interest income	**257**	**134**
interest on bank deposits	257	134
interest on loans advanced	-	-
Other finance income	**339**	**441**
gain on exchange differences	-	-
gain on the sale of interests in related parties	-	-
allowances for interest receivable, reversed	-	-
other	339	441
Attributable to continuing operations	**596**	**572**
Attributable to discontinued operations	-	-

Finance income includes interest income on depositing, and investing in various financial instruments. Finance income includes also gains on exchange differences.

Note 22 - Finance cost

	1 January 2019 31 December 2019	1 January 2018 31 December 2018
Interest expense	**1 052 870**	**668 514**
interest on loans, including overdraft facilities	992 449	633 166
lease interest	60 116	34 943
interest on factoring arrangements	-	-
interest on liabilities	305	405
Other finance cost	**401 028**	**319 472**
loss on exchange differences	36 699	108 528
bank fees and charges	59 573	64 177
cost of additional contributions to related parties	-	-
cost of the sale of interests in related parties	-	-
cost of sureties and bank guarantees	237 136 122 466	110 898
other	67 620	35 869
Attributable to continuing operations	**1 453 898**	**987 986**
Attributable to discontinued operations	-	-

Finance cost includes costs arising from the use of external sources of finance, interest, and other costs payable under lease agreements entered by the Company, interest on, and fees arising from factoring arrangements, and interest on late payment of liabilities.
Finance cost includes also losses on exchange differences.

ADDITIONAL INFORMATION

Note 23 - Income tax

Income tax is calculated on gross profit, taking into account the net deferred tax effect of temporary differences between the carrying amount of assets and liabilities and their tax bases.

Current tax and deferred income tax assets and liabilities are calculated using the tax rate of 19% which applies at present and is expected to apply when temporary differences are expected to realise.

Deferred tax assets are recognised for deductible temporary differences and unrealised tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be realised.

Deferred tax liabilities are recognised for all temporary tax differences. Liabilities are recognised when the Company has a legal or constructive obligation arising from future events, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and when a reliable estimate can be made of the amount of the obligation.

The liabilities are reviewed as at the balance sheet date and adjusted to reflect the current best estimate as at that date. Under the provisions, the Company includes deferred tax liabilities and provisions for employee benefits such as: retirement gratuity, service anniversary awards, and accrued holiday entitlement.

Assets and liabilities are recognised regardless of when the assets and liabilities are to be realised, classified and presented as fixed assets, or as liabilities and provisions for liabilities in the balance sheet.

The following are primary components of tax burden for the years ended 31 December 2019 and 31 December 2018:

	Period ending 31.12.2019	**Period ending 31.12.2018**
Current income tax	1 678 050	1 508 152
Origination/reversal of temporary differences	(91 715)	75 734
Income tax disclosed in comprehensive income	**1 586 335**	**1 583 734**

A difference between the tax amount disclosed in the statement of comprehensive income and the tax amount calculate at the relevant rate on profit before taxation results from the following items:

	Period ending 31.12.2019	**Period ending 31.12.2018**
Financial result before tax	8 533 505	8 362 365
Tax at a rate of 19% applicable in Poland	1 678 050	1 508 152
Tax effect of non-deductible costs and non-taxable income	(91 715)	75 734
Current tax liability	1 586 335	1 583 886
Effective tax rate	18.59%	18.94%

ADDITIONAL INFORMATION

24. Contingent liabilities

A contingent liability is understood to mean a possible obligation to perform, which arises from certain events.

As at 31 December 2019, the Company had no contingent liabilities.

25. Tax settlements

Laws governing value added tax, corporate income tax, individual income tax, or social security contributions are subject to frequent amendments, thereby preventing any reference to well-established regulations. Current legislation is also marked by obscurity, leading to differences in opinions concerning legal interpretation of tax laws both within tax authorities and between state authorities and corporate taxpayers. Tax settlements may be audited by relevant agencies authorised to impose penalties, and any additional amounts due established through such controls have to be paid along with high interest thereon. These phenomena make tax exposure in Poland higher than in countries that enjoy more developed tax systems.

Tax settlements may be audited within five years following an end of a year in which relevant tax was paid. As a result of an audit, the Company's existing tax settlements may be questioned and increased by an additional tax liability.

26. Financial risk management

The Company is exposed to the following risk pertaining to financial instruments:

market risk comprising currency risk and interest rate risk
credit risk
liquidity risk

The risk management process is mostly focused on identification, measurement, and mitigation of risks, including currency and interest rate fluctuations aspects.

In economic terms, transactions on the financial markets are entered into for the purpose of hedging against specific risks.

Market risk

The Company's exposure to currency risk results from sales and purchases in foreign currencies, primarily in EUR and, to a lesser extent, in USD.
Moreover, the Company uses dual-currency overdraft facilities (PLN/EUR/USD). To minimize the currency risk, the Company tries to adjust the value and maturity dates of assets and due dates of liabilities. A human factor of control and collaboration among people, who have influence on which market to choose for sales purposes and which purchase to make, is the most important and effective factor in developing the currency risk management strategy. The following are the Company's financial assets and liabilities, other than derivatives stated in foreign currencies, translated into PLN using the closing rate applicable as at the balance sheet date:

As at 31 December 2019	Value in foreign currency		Before Translation	After translation
	EUR	USD		
Financial assets (+)				
Loans	-	-	-	-
Trade receivables and other financial receivables	1 253 999	-	5 375 219	5 340 154
Other financial assets	-	-	-	-
Cash and cash equivalents	536 427	5 114	2 358 766	2 303 799
Financial liabilities (-)				
Loans and borrowings	-	-	-	-
Lease liabilities	(101 656)	-	(405 471)	(432 904)
Trade payables and other financial liabilities	(1 929 372)	-	(8 259 294)	(8 216 230)
Total currency risk exposure	**(240 602)**	**5 114**	**(930 780)**	**(1 005 181)**

As at 31 December 2018	Value in foreign currency		Before Translation	After translation
	EUR	USD		
Financial assets (+)				
Loans	-	-	-	-
Trade receivables and other financial receivables	1 297 391.08	378 000.00	6 999 927.21	6 999 948.23
Other financial assets	0.00	0.00	0.00	0.00
Cash and cash equivalents	172 571.87	3 924.17	766 483.58	756 812.74
Financial liabilities (-)				
Loans and borrowings	0.00	0.00	0.00	0.00
Lease liabilities	- 200 286.75	0.00	- 825 908.86	- 861 233.03
Trade payables and other financial liabilities	- 1 722 160.68	- 99 699.63	- 7 778 727.80	- 7 780 131.62
Total currency risk exposure	**- 452 484.48**	**282 224.54**	**- 838 225.87**	**- 884 603.68**

Credit risk

The Board of Directors applies the credit policy, under which the Board monitors its clients' and debtors' arrears in payments, by reviewing the credit risk on a case by case basis. Moreover, as part of its credit risk management, the Company enters into transactions with partners whose creditworthiness is confirmed. Based on historical data on overdue payments, the receivables, which are past due and for which no impairment losses have been recognised, do not show any significant deterioration in quality: most of them fall into the "within 1 month" category, and there is no doubt as to their collectability. According to the Board of Directors' assessment, the assets disclosed as at the balance sheet date may be considered good credit quality assets. As at 31 December 2019, the balance of the allowance for receivables is PLN 93 813.4 and relates to Piotr i Paweł Sp. z o.o. which is subject to reorganization proceedings. The amount of PLN 7 454.17 constitutes 10% of the receivables as at the date of announcing the reorganisation proceedings, and represents Polipak's down payment under the insurance contract. The amount of PLN 86 359.30 relates to Lidl BG, CZ, HU, SK, and HR which are subject to preliminary investigation.

In the current year, the Company concluded that there was no significant increase in credit risk (no adverse change in the age structure of trade receivables). As far as trade receivables are concerned that are the most significant class of assets exposed to credit risk, the Company is not exposed to any significant risk as the Company continues to maintain accounts receivable insurance with a third-party agency. In consequence, the amount of a relevant write-off, which is estimated primarily based on historical trending for past due receivables and on linking arrears to actual repayment rates for the last three years, is insignificant. As at the balance sheet date, no need for creating an allowance for trade receivables, resulting from expected credit losses, was identified.

Liquidity risk

While conducting its operating activities, the Company maintains a fixed amount of excess liquid cash, and open lines of credit. The Company manages the liquidity risk by monitoring payment dates and demand for cash with regard to the current liabilities (transactions are monitored on a fortnight basis). The demand for cash is compared with the available sources of funding, in particular by evaluating the ability to source funds under a loan, in comparison with current inflows.

ADDITIONAL INFORMATION

27. Employment structure

The following is the Company's average headcount by employee groups and employee turnover:

	01.01.2019 through 31.12.2019	**01.01.2018 through 31.12.2018**
White-collar workers	56	54
Blue-collar workers	148	158
Total FTE	204	212
Workers engaged under contracts of mandate	3	5
Workers engaged by the Employment Agency	139	112
number of workers hired	29	53
number of workers terminated	33	51

26. Remuneration for the Board of Directors

	01.01.2019 through 31.12.2019	01.01.2018 through 31.12.2018
under the contract of employment		
4 persons	-	743 909
3 persons	547 673	-
under the appointment agreement		
1 person	165 336	-
	713 009	**743 909**

27. Post-balance sheet events

In late 2019, there was news about coronavirus from China. Early 2020 saw the virus spreading globally, with its adverse impact gaining momentum. While the situation is constantly changing, the Company’s Management has not identified any noticeable impact on the Company’s sales or supply chain, that was be capable of adversely affecting the Company’s production and sales. The Company has stocks of raw materials for a month or so, and any slight disruptions in deliveries should not have any adverse impact on the Company's revenue levels. Withdrawal by some of the recipients (Morocco, France) from acceptance of deliveries should not disturb revenue. The Management is monitoring the potential impact on an ongoing basis, taking all and any steps to mitigate any possible adverse effects on the Company.

Środa Wielkopolska, 21 February 2020

Prepared by:

Emilia Topolska – Chief Financial Officer

Artur Gwardiak - President of the Board of Directors
Justyna Nowak-Gajek - Vice President

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