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Independent Auditor's Report on Annual Financial Statements

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For the Shareholders of „Polipak” Sp. z o.o.

We have audited the accompanying annual financial statements of „Polipak” Sp. z o.o. (the Company) with its registered office in Środa Wielkopolska, 16 Harcerska Street, which comprise the statement of financial position as of December 31, 2017, and the statement of comprehensive income, statement of cash flows, statement of changes in equity for the year from January 1, 2017 to December 31, 2017, and notes, comprising a summary of significant accounting policies and other explanatory notes.

Management Board Responsibility for the Annual Financial Statements

The Management Board of the Company is responsible for the preparation, on the basis of properly maintained books of account, and fair presentation of these annual financial statements in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations, other applicable regulations and the Company's articles of association. The Management Board of the Company is also responsible for such internal control as the Management Board determines is necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

In accordance with the Accounting Act of September 29, 1994 (uniform text: Journal of Laws of 2017, item 2342 as amended) (the Accounting Act), the Management Board of the Company is obliged to assure compliance of the annual financial statements with the requirements of the Accounting Act.

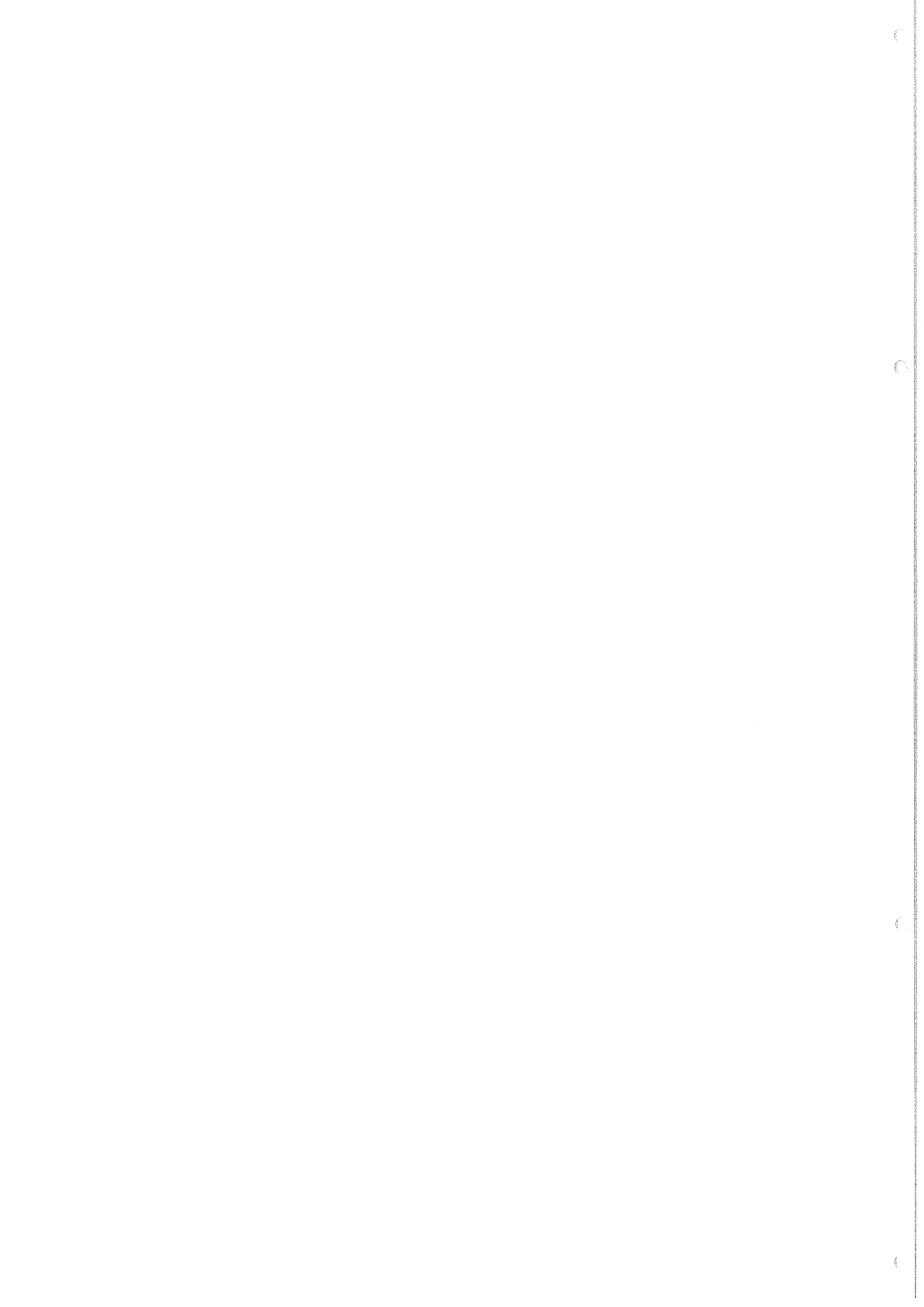
Auditor's Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit.

We conducted our audit of the annual financial statements in accordance with

- the Act of May 11, 2017 on statutory auditors, audit firms, and public supervision (Journal of Laws of 2017, item 1089) (the Act on Statutory Auditors) and

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- National Standards on Auditing consistent with International Standards on Auditing adopted by the National Council of Statutory Auditors' resolution No. 2783/52/2015 of February 10, 2015 as amended.

Those regulations require that we comply with ethical requirements and perform the audit to obtain reasonable assurance about whether the annual financial statements are free from material misstatement.

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

The scope of the audit does not include assurance on the future viability of the Company or on the efficiency or effectiveness with which the Management Board has conducted or will conduct the affairs of the Company.

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

Opinion

In our opinion, the accompanying annual financial statements:

- give a true and fair view of the financial position of the Company as of December 31, 2017 and of its financial performance for the financial year from January 1, 2017 to December 31, 2017 in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published in the form of European Commission regulations and adopted accounting principles (policy),
- were prepared on the basis of books of account maintained properly in accordance with section 2 of the Accounting Act,
- comply with the laws affecting the content and form of the annual financial statements and the provisions of the Company's articles of association.

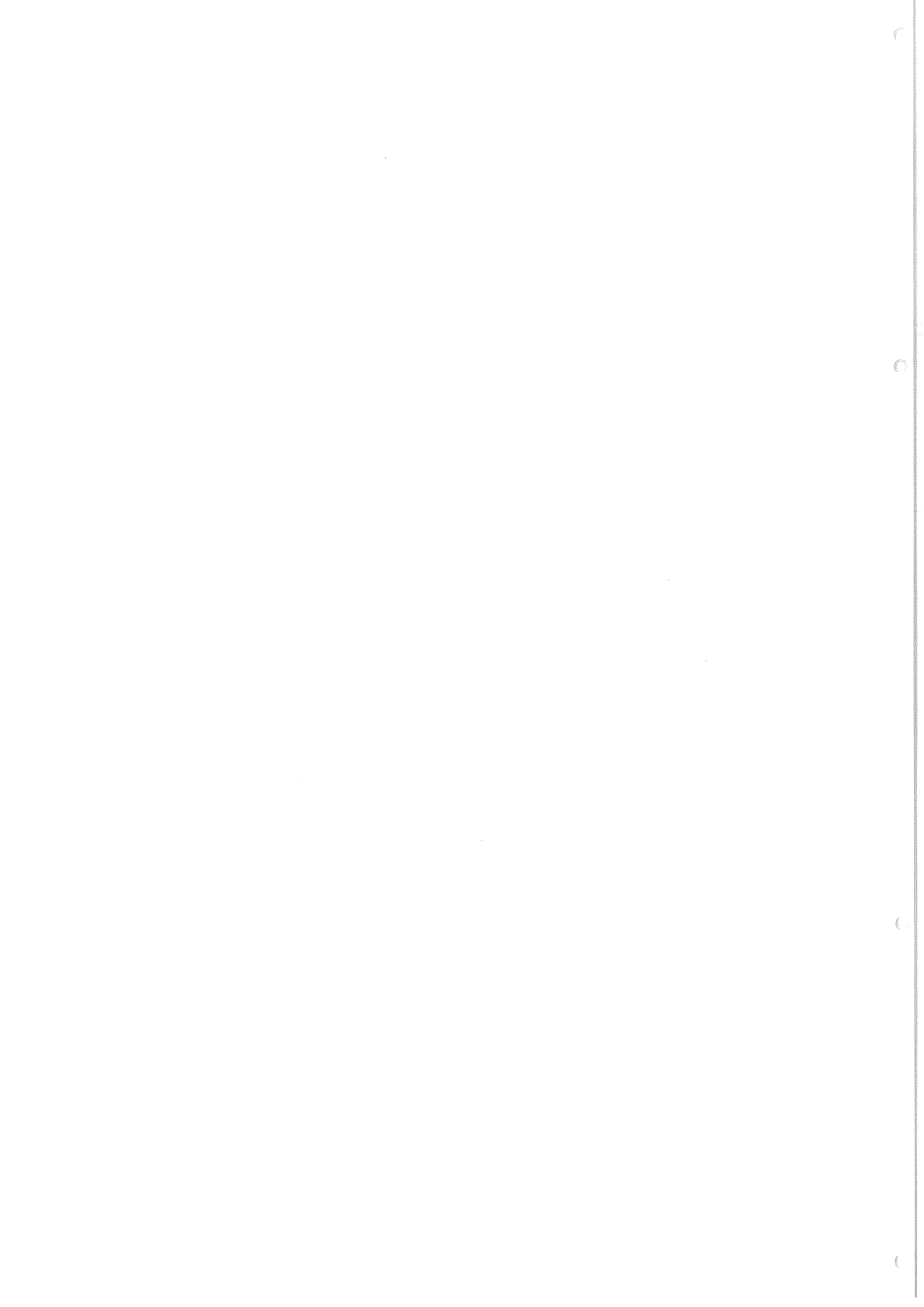
Opinion on the Management Board's Report on the Company's operations

Our opinion on the annual financial statements does not cover the Management Board's Report on the Company's operations.

The Management Board of the Company is responsible for the preparation of the Report on the Company's operations in accordance with the Accounting Act and other legal regulations. The Management Board of the Company is obliged to assure compliance of the Report on the Company's operations with the requirements of the Accounting Act.

According to the Act on Statutory Auditors, our responsibility is to express an opinion on whether the Management Board's Report on the Company's operations has been prepared in accordance with legal regulations and whether information included therein is consistent with the accompanying annual financial statements. We are also obliged to state whether, taking into account our knowledge of the Company and its environment obtained during the audit of the annual financial statements, we identified any material misstatements in the Report on the Company's operations, and to indicate the nature of each such a misstatement.







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In our opinion, the Report on the Company's operations has been prepared in accordance with the applicable legal regulations, i.e. Article 49 of the Accounting Act, and information included therein is consistent with the accompanying annual financial statements. Moreover, taking into account our knowledge of the Company and its environment obtained during the audit of the annual financial statements, we state that we have not identified any material misstatements in the Report on the Company's operations.

Ziemowit Zakościelny

Statutory Auditor No. 12532

Key Audit Partner

Grant Thornton Frąckowiak Spółka z ograniczoną odpowiedzialnością sp. k.,
Poznań, ul. Abpa Antoniego Baraniaka 88 E, Audit Firm No. 3654

Poznań, February 14, 2018.



Financial statements of "POLIPAK" Sp. z o.o.

for the period starting 01 January 2017 and ending 31 December 2017

I. INTRODUCTION TO THE FINANCIAL STATEMENTS	3
BACKGROUND INFORMATION	3
STATEMENT OF FINANCIAL POSITION FOR THE PERIOD ENDING 31 DECEMBER 2017	18
STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDING 31 DECEMBER 2017	20
CASH FLOW STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2017	21
STATEMENT ON CHANGES IN EQUITY	22
II. ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS	23
ADDITIONAL INFORMATION AND EXPLANATION	23
1. INFORMATION ON BUSINESS SEGMENTS	23
2. BUSINESS SEASONALITY AND CYCLICALITY	23
3. PROPERTY, PLANT AND EQUIPMENT	23
4. INTANGIBLE ASSETS	26
5. PERPETUAL USUFRUCT RIGHT	27
6. INVESTMENTS IN OTHER ENTITIES	27
7. DEFERRED TAX	28
8. PROVISIONS FOR OTHER LIABILITIES	28
9. INVENTORIES	29
10. TRADE AND OTHER RECEIVABLES	29
10.1. INCOME TAX RECEIVABLE	30
11. TRANSACTIONS WITH RELATED ENTITIES	30
11.1. PREPAYMENTS AND ACCRUED INCOME - ASSETS	31
11.2. ACCRUALS AND DEFERRED INCOME - LIABILITIES	31
12. CASH AND CASH EQUIVALENTS	32
13. SHARE CAPITAL	33
14. PROPOSED DISTRIBUTION OF PROFIT FOR 2016	33
15. FINANCIAL LIABILITIES	33
15.1. LOANS AND BORROWINGS PAYABLE	33
15.2. LOANS PAYABLE TO RELATED ENTITIES	34
15.3. FINANCE LEASE	36
16. FINANCIAL INSTRUMENTS	37
17. CURRENT TRADE AND OTHER PAYABLES	40
17.1. CURRENT INCOME TAX PAYABLE	40
17.2. CURRENT EMPLOYEE BENEFITS PAYABLE	41
18. SALES REVENUE	41
19. OTHER OPERATING INCOME	41
20. OTHER OPERATING EXPENSES	42
21. FINANCE INCOME	42
22. FINANCE COST	43
23. INCOME TAX	43
24. CONTINGENT LIABILITIES	44
25. TAX SETTLEMENTS	44
26. FINANCIAL RISK MANAGEMENT	45
27. EMPLOYMENT STRUCTURE	47
28. REMUNERATION FOR THE BOARD OF DIRECTORS	47
29. POST-BALANCE SHEET EVENTS	47

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 such as 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 2017, the Company's executive and management body consisted of the following

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.

3. Company's shareholders

As at 31 December 2017, the following were the Company's shareholders:

- a) Sarantis Polska Spółka Akcyjna of Piaseczno, holding 7,000 shares of PLN 100.00 each, with the total value of PLN 700,000.00
- b) Grzegorz Nowak Investments Sp. J. of Poznań, holding 3,000 shares of PLN 100.00 each, with the total value of PLN 300,000.00.

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.
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7. Presentation rules

Pursuant to Resolution No. 10 of the Ordinary Meeting of Shareholders of 24 May 2016 (adopted under Article 45, clause 1c of the Accounting Act), starting with the Financial Statements prepared as at 31 December 2016, Polipak Spółka z o.o. has been preparing its financial statements in compliance with IFRS. These Financial Statements were prepared using the accounting policies compliant with the International Financial Reporting Standards (IFRS) as approved by the European Union, and cover the period from 1 January through 31 December 2017, the period from 1 January through 31 December 2015, and the period from 1 January to 31 December.

To these Financial Statements, the Company applied the International Financial Reporting Standards (IFRS) endorsed by the European Union, and in force as at 31 December 2017.

These Financial Statements conform to all requirements of IFRS as adopted by the EU, and give a true and fair view of the Company's financial position as at 31 December 2017 and 31 December 2016, as well as the Company's profit and loss, cash flows, and changes in equity for the year ending 31 December 2017 and 31 December 2016, 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 these annual Financial Statements 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 economic and financial position as well as its financial result, while the Board's Report on the Company's operations contains a true description of the Company's development, achievements and situation, including the description of basic risks and challenges.

2) The entity authorised to audit the Financial Statements has been selected in accordance with legal regulations. The entity as well as chartered 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, 14 February 2018

Artur Gwardiak -
Magdalena Łoś-Grzesik -
Magdalena Sobota -
Emilia Topolska -

President of the Board of Directors
Vice-President, Chief Commercial Officer
Vice-President, Chief Supply and Administration Officer
Vice-President, Chief Economic and Financial Officer



9. Significant accounting policies

Basis for preparing 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 binding at the date of preparing the Statements.

These Financial Statements have been prepared based on the accrual principle and the assumption that the Company will continue as a going concern in the foreseeable future.

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: the Company's Balance Sheet as at 30 June, Profit and Loss Account, Statement of Changes in Equity, and Cash Flow Statement for the period starting 1 January and ending 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 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, except investment property, is measured at cost which includes its purchase price or production cost and costs directly attributable to bringing the asset into use.

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 is subject to depreciation and impairment.

Costs of significant repairs and regular inspection programs are recognized under property, plant and equipment, and depreciated the course of the estimated useful life.

Costs of day-to-day maintenance and servicing of property, plant and equipment are recognised in profit or loss as incurred.

An asset is subject to depreciation when it is available for use, i.e. when it is adapted to the location and conditions 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, and is carried out in a manner intended by the management, over the course of its estimated useful life.

The rates adopted and used for depreciation are reviewed on a periodic basis, leading to an adjustment of the depreciation charges in the subsequent years. Property, plant and equipment 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 price does not exceed PLN 3500. The following useful lives are assumed for the property, plant, and equipment:

Buildings and structures 20 - 40 years

Technical equipment and machinery 5 - 10 years

Motor vehicles and other 2 - 10 years

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.

Finance lease

Lease agreements, under which substantially all the risks and rewards from the leased assets are transferred to the Company (lessee), are classified as finance leases in accordance with IAS 17, included in property, plant and equipment, and disclosed at the lower of the fair value of the leased asset at commencement of the lease term and the present value of the minimum lease payments.

(in PLN)

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 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 useful 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 useful economic lives typically applied for intangible assets:

Concessions, licences and similar assets 2 - 10 years

Computer software 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.

Property, plant and equipment under construction

Items of property, plant and equipment under construction classified as fixed assets are items of property, plant and equipment during the period of construction, assembly, improvement, reconstruction or extension of the existing asset.

Items of property, plant and equipment under construction are measured at the amount of aggregate costs directly attributable to their 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 property, plant and equipment under construction.

The value of property, plant and equipment under construction is reduced by impairment losses.

Interests in other entities

Interests in other entities are measured at their acquisition price 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, with doubtful debt allowances considered which are made based on the ageing 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 Stated of Comprehensive Income.

Inventories

Inventories are measured and stated at the lower of acquisition price or production cost and net realisable value. Acquisition price 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 96 531 711.40 in 2016 and PLN 100 142 347.02 in 2017.

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.

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 fair value.

Accruals, prepayments and deferred income

Short-term 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 recognised as income proportionally to the costs which the subsidy was 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 (initial) 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 Stated 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.

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 qualify 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 jubilee and retirement gratuity.

Current employee benefits

Liabilities for 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 jubilee

In line with the payroll system in place in the Company, the Company's employees are entitled to jubilee and retirement gratuity benefits. Jubilee benefits 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. Retirement gratuity benefits are one-off benefits, paid out when the employee retires. The amounts of retirement gratuity and jubilee benefits depend on the length of employment and average remuneration of the employee.

The Company sets up a provision for future retirement gratuity and jubilee obligations 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 for retirement gratuity and jubilee 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.

Current tax liabilities 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 realised.

In the balance sheet, deferred tax assets and liabilities are classified and presented as property, plant and equipment or non-current liabilities.

Application of policies

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

New or amended standards and interpretations in force as of 1 January 2017 and their effect on the Company's financial statements:

Amendments to IAS 12 "Income Taxes"

IAS Board has clarified the following principles:

- recognition of deferred tax assets in the event of unrealized losses,
- calculation of future tax profits necessary to recognize deferred tax assets.

The amendments did not have any material impact on the Company's financial statements.

Amendments to IAS 7 "Statement of Cash Flows"

The revised standard requires entities to disclose information that enables users of financial statements to evaluate changes in the debt of the unit (i.e. change in loans and borrowings). The Company discloses the required information in Note 15.

Amendments to IFRS 12 resulting from the "Annual Improvements Project: 2014-2016 cycle." It has been clarified that the disclosures for interests in other entities required under this standard also apply when interests are classified as held for sale in accordance with IFRS 5. The amendment did not affect the Company's financial statements, because the Company did not classify interests to the held-for-sale category.

Standards and interpretations effective in the version published by the IASB but not endorsed by the European Union, are presented below in the section concerning standards and interpretations that have not come into force.

Application of the standard or interpretation before its entry into force

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

Published standards and interpretations that have not come into force for the period beginning 1 January 2017 and their impact on the Company's statements.

Until the date of preparation of these consolidated financial statements, the following new or amended standards and interpretations effective for annual periods beginning after 2017 were published:

New IFRS 9 "Financial instruments"

The new standard will replace the current IAS 39. Amendments made by the accounting standard for financial instruments mainly include:

- other categories of financial assets, on which method of valuation of assets depends; allocation of assets is to be made depending on the business model relating to the asset and the nature of cash flows from such asset,
- new rules for hedge accounting reflecting risk management to a greater extent,
- new model for impairment of financial assets based on expected losses causing the need for faster recognition of costs in the financial result.

The Company examined the impact of the new standard on the Company's financial statements.

To date, the Company had only assets classified into the "loans and receivables" category. Pursuant to the new standard, all of them will be classified as measured at amortised cost. This change will affect neither the value of the Company's assets nor the Company's financial result.

The Company's Board of Directors decided to apply IFRS 9 retrospectively with no adjustment to comparative data, as such application is not possible without using hindsight. The effects of the standard will be recognized in opening retained earnings as at 1 January 2018.

This standard is effective for annual periods beginning on or after 1 January 2018.

New IFRS 15 "Revenue from contracts with customers"

The new standard replaces IAS 11 and IAS 18, and provides a consistent revenue recognition model. The new 5-step model will make the recognition of revenue from the customer dependent upon the control of the good or service. In addition, the standard introduces additional disclosure requirements and guidance on several specific issues. The Company examined the impact of the standard on the financial statements. The results of the examination indicate that revenue recognition and the Company's profit and loss will not change significantly.

New IFRS 16 "Lease"

The new standard regulates lease agreements (including rental and land lease agreements) provides a new definition of lease.

Significant changes apply to lessees: for each lease agreement, the standard requires recognising "the right to use the asset" and the corresponding financial liability in the balance sheet. The right to use the asset is then amortised, while the liability measured at amortised cost. Simplification has been provided for short-term contracts (up to 12 months) and assets of low value.

The accounting treatment of leases for lessors is similar to the principles set out in the current IAS 17.

The company estimates that the new standard will have a material impact on its financial statements, but did not yet complete the process of determining value. As at the end of 2017, the Company is a lessee in approximately 3 operating lease, rental and tenancy agreements made for a term exceeding 1 year. The Company has not decided yet which of the transitional provision available the Company will apply. The Company plans to apply exemptions for short-term leases and low value asset leases. Moreover, the Company identified the portfolio of agreements which are still being examined for their satisfaction of the definition of lease.

Amendments to IFRS 2 "Share-based Payments"

IAS Board has regulated three issues:

- accounting for conditions other than vesting conditions in valuation of a cash-regulated program,
- classification of share-based payments, if the entity is required to withhold an employee's tax,
- modification of the program, which results in a change of the cash-settled program into the program settled in equity instruments.

The Company estimates that the change in the standard will have not any impact on the financial statements due to the fact that there were no transactions covered by the amendments.

The amendment is effective for annual periods beginning on or after 1 January 2018.

Amendments to IFRS 4 "Insurance Contracts"

Following the introduction of the new standard on financial instruments (IFRS 9) in 2019, the IAS Board has introduced temporary (until the entry into force of new IFRS 17) rules governing the application of the new accounting rules for instruments in the financial statements of insurers. Otherwise, profit or loss shown in the statement would vary considerably.

Proposed were two alternative approaches:

- making adjustment for volatility caused by IFRS 9 for some assets through a separate item in the statement of profit or loss and other comprehensive income,
- exemption from the application of IFRS 9 until the new standard for insurance enters into force (or 2021).

The amendments to the standard will not affect the Company's financial statements due to the fact that the Company is not doing any insurance business.

Amendments to IFRS 1 and IAS 28 resulting from the "Annual Improvements Project: 2014-2016 cycle."

Amendments to the standards include:

- IFRS 1: some short-term exemptions were removed, which were used during the transition to IFRS, due to the fact that periods, to which the exemptions applied, have already passed and the application of exemptions was no longer possible. The amendment will not have any impact on the Company's financial statements, since they are already prepared according to IFRS.

- IAS 28: clarifies that in cases where IAS 28 allows the valuation of the investment using either the equity method, or fair value method (for organizations managing venture capital, mutual funds etc. or interests in investments), a valuation method can be selected separately for each of investments. The amendment will not have any impact on the Company's financial statements, as the Company is not able to select a method for measuring investments in associated entities and joint ventures at fair value.

The amendments are effective for annual periods beginning on 1 January 2018.

Amendment to IAS 40 "Investment Property"

The amendment specifies rules for transferring investment properties to or from the investment property category from or to fixed assets or inventories.

First of all, properties are transferred when there is a change in use, and such change must be supported by evidence. Standard explicitly says that the change in intention of the board itself is not enough to support a transfer.

Amendment to the standard should to be applied to all changes in use that occur after the entry into force of the revised standard and to all investment property held as at the date of introduction of the amendment.

The Company estimates that the amendment of the standard will not have any impact on its financial statements because the Company does not have any investment property.

The amendment is effective for annual periods beginning on or after 1 January 2018.

New IFRIC 22 "Foreign exchange transactions and advances"

The interpretation clarifies the exchange rate to be applied to sale or purchase transactions in foreign currency, that include the receipt or payment of advance consideration in such foreign currency.

According to a new interpretation, the advance consideration should be recognized at the date it is paid, using the exchange rate of that date. Then, at recognition of income in foreign currency, expense, or the related asset in the profit and loss account, the related asset, expense or income should be recognized using the exchange rate of the date when the advance consideration was recognized, and not the exchange rate of the date when the related asset, income or expense was recognized.

The Company estimates that the new interpretation will not have a material impact on its financial statements, because, although the Company carries out many transactions with foreign parties and makes advance payments, the Company already follows the rules described in the interpretation. The

New IFRIC 23 "Uncertainty over Income Tax Treatments"

The interpretation clarifies application of IAS 12 "Income Tax" requirements where there is uncertainty in accounting for income taxes and over whether particular tax treatments will be accepted by tax authorities, including courts. The entity is required to consider first whether it is probable that a relevant tax authority will accept particular tax treatments. When the entity concludes that it is probable that a particular tax treatment is accepted, the entity should use it in preparing financial statements. When the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected amount of income tax treatment. The entity has to reassess if facts and circumstances impacting the value so determined change. If the value is to be adjusted, it should be treated as a change in estimates in accordance with IAS 8.

The Company estimates that the new interpretation will not have any material effect on the Company's financial statements as the Company does not make transactions to which the amendments apply. The interpretation is effective for annual periods beginning on or after 1 January 2019.

New IFRS 17 "Insurance Contracts"

The new standard established the principles for the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. The standard replaces IFRS 4.

The Company estimated that the new standard will have no effect on the Company's financial statements because the Company is not doing any insurance business. The standard is effective for annual periods beginning on or after 1 January 2021.

The Company intends to implement the above standards and interpretations as of their effective dates.

(in PLN)

STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED 31 DECEMBER 2017

	Note	31 December 2017	31 December 2016
Fixed assets			
Property, plant and equipment	3	31 777 157	33 369 060
Intangible assets	4	163 822	37 886
Perpetual usufruct of land	5	711 410	711 410
Financial assets in other entities	6	0	0
Deferred tax assets	7	311 635	317 608
Total fixed assets		32 964 024	34 435 964
Current assets			
Inventories	9	13 072 149	11 645 597
Trade accounts receivable from other entities, and other receivables <i>including: VAT receivable</i>	10	8 890 790 650 620	8 724 060 1 591 200
Trade receivables from related entities	10	6 720 498	7 214 286
Income tax receivables	10	0	0
Prepayments and accrued income	11	57 427	80 404
Cash and cash equivalents	12	1 667 247	234 175
Total current assets		30 408 110	27 898 522
Total assets		63 372 135	62 334 486

EQUITY AND LIABILITIES

	Note	31 December 2017	31 December 2016
Equity			
Share capital	13	1 000 000	1 000 000
Share premium	13	3 607 059	3 607 059
Retained earnings	13	15 292 937	11 161 632
Total equity		19 899 996	15 768 691
Non-current liabilities			
Loans and borrowings	15	76 500	178 140
Loans and borrowings from related entities	15	13 500 000	13 500 000
Deferred tax liability	7	187 578	116 031
Provision for other liabilities	8	501 243	485 679
Other financial liabilities	15	936 461	1 519 672
Non-current accrued expenses and deferred income	11	703 843	671 487
Total non-current liabilities		15 905 626	16 471 010
Current liabilities			
Trade and other payables	17	10 711 368	10 486 493
<i>including: VAT payable</i>		<i>0</i>	<i>0</i>
<i>personal income tax</i>		<i>189 996</i>	<i>167 510</i>
<i>Social Security Office</i>		<i>651 616</i>	<i>679 894</i>
<i>Special funds</i>		<i>55 510</i>	<i>78 310</i>
Trade accounts payable to related entities	17	446 253	669 194
Loans and borrowings payable	15	13 797 622	16 758 211
payable to related entities	15	0	0
Other financial liabilities	15	678 101	642 270
Employee benefits payable	17	1 303 863	1 245 977
Income tax payable	17	497 506	113 898
Current accrued expenses and deferred income	11	131 802	178 743
Total current liabilities		27 566 513	30 094 786
Total equity and liabilities		63 372 135	62 334 486

(in PLN)

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDING 31 DECEMBER 2017**

	Note	31 December 2017	31 December 2016
Continuing operations			
Sales revenue			
Revenue from sales of products	18	105 075 081	96 907 729
Revenue from sales of services	18	21 378	18 049
Revenue from sales of commodities and materials	18	920 183	1 869 845
Sales revenue		106 016 642	98 795 623
Other revenue	19	712 554	1 024 031
Increase/decrease in product inventories		1 045 088	2 168 450
Production cost of products for the entity's own purposes		43 478	51 681
Amortisation and depreciation		(3 498 487)	(3 180 367)
Consumption of materials and energy		(73 085 431)	(72 261 963)
External services		(8 716 071)	(7 163 666)
Taxes and charges		(546 972)	(325 045)
Payroll		(11 300 749)	(10 645 451)
Social security contributions and other benefits		(2 793 336)	(2 719 221)
Other costs by type		(201 302)	(235 999)
Value of goods and materials sold		(874 668)	(1 742 153)
Other costs	20	(143 980)	(129 682)
Total operating expenses		(100 072 430)	(96 183 415)
Gain on operating activities		6 656 766	3 636 238
Finance income	21	417 232	5 083
Finance cost	22	(888 223)	(922 101)
Net finance income and cost		(470 990)	(917 018)
Earnings before tax		6 185 776	2 719 220
Income tax	23	(1 173 734)	(517 378)
Net profit		5 012 042	2 201 842
Other net comprehensive income		0	0
Total comprehensive income		5 012 042	2 201 842

(in PLN)

CASH FLOW STATEMENT

for the year ending 31 December 2017

	Note	01.01.2017- 31/12/2017	01.01.2016- 31/12/2016
Gross profit on continuing operations		6 185 776	2 719 220
<i>Adjustments by:</i>			
<i>Amortisation and depreciation</i>		3 498 487	3 180 367
Gain (loss) on foreign exchange		(159 230)	332 300
Interest and profit sharing (dividends)		710 345	423 840
Gain (loss) on disposal of property, plant and equipment		(1 787)	(191 061)
Change in provisions		89 276	74 570
Change in inventories		(1 426 552)	(4 411 507)
Change in receivables		327 058	(6 098 168)
Change in liabilities		745 243	338 894
Change in prepayments and accruals		(89 078)	(137 770)
<i>Income tax paid</i>	23	(1 096 214)	(517 378)
Other adjustments		(551 383)	(493 357)
Net cash from operating activities		8 231 943	(4 780 049)
 <i>Investing activities</i>			
Inflows from sales of property, plant, equipment and intangible assets		5 400	526 967
Inflows from sales of financial assets		0	0
Acquisition of property, plant, equipment and intangible assets		(2 370 595)	(16 801 554)
Acquisition of financial assets		-	-
Net cash from investing activities		(2 365 195)	(16 274 587)
 <i>Financing activities</i>			
Loans and borrowings		0	20 914 129
Repayment of loans and borrowings received		(2 829 300)	-
Payments under financial lease agreements		(547 380)	(734 092)
Interest paid		(680 433)	(393 560)
Dividends and other payments to shareholders		(880 737)	-
Other financial inflows		551 383	493 357
Other financial outflows		(29 913)	(30 281)
Net cash from financing activities		(4 416 380)	20 249 553
Change in cash and cash equivalents		1 450 368	(805 083)
Effect of exchange rates		(17 296)	1 641
Balance-sheet change in cash		1 433 072	(803 442)
 Cash and cash equivalents as at 1 January		234 175	1 037 617
Cash and cash equivalents as at 31 December		1 667 247	234 176

STATEMENT ON CHANGES IN EQUITY

	<u>Share</u> capital	<u>Supplementary</u> capital	<u>Retained</u> earnings	<u>Total</u> equity
Equity as at 1 January 2016	1 000 000	3 607 059	8 959 790	13 566 849
Profit for the period	-	-	2 201 842	2 201 842
Dividend distribution to shareholders	-	-	-	-
Distribution of profit earned in the prior period - carryforward	-	-	-	-
Equity as at 31 December 2016	1 000 000	3 607 059	11 161 632	15 768 691
Profit for the period	-	-	5 012 042	5 012 042
Dividend distribution to shareholders	-	-	(880 737)	(880 737)
Distribution of profit earned in the previous period - carryforward	-	-	-	-
Equity as at 31 December 2017	1 000 000	3 607 059	15 292 937	19 899 996

(in PLN)

ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS

ADDITIONAL INFORMATION AND EXPLANATION

1. Information on business segments

The Company prepares its financial statements independently, and the Company's core business segment is production of plastic packaging, which generates 99% of its revenue. Profit or loss on other business comprises trade revenue or trade expenses related to the aforementioned core business segment. The Company operates within one geographic region, i.e. European Union; it is also where all assets of the Company are located.

2. Business seasonality and cyclicity.

The Company's manufacturing operations are distributed uniformly over the year, although the demand for our products tends to increase in summer months, i.e. July and August. This trend, however, is not significant enough to be indicative of any seasonality in our industry.

3. Property, plant and equipment

	31/12/2017	31/12/2016	01/01/2016
Land	-	-	-
Buildings, premises, and civil engineering structures	7 964 204	8 247 786	8 310 541
Technical equipment and machinery	22 977 975	22 214 719	11 505 467
Motor vehicles	399 766	448 165	373 944
Other property, plant and equipment	208 430	249 194	214 280
Property, plant and equipment under construction	226 782	2 209 195	9 528
Total property, plant and equipment	31 777 157	33 369 060	20 413 760

The following is the gross value of fully depreciated property, plant and equipment that is still in use:

as at 1 January 2016	PLN 6 293 599
as at 31 December 2016	PLN 6 331 815
as at 31 December 2017	PLN 6 320 056

As at 1 January 2016, 31 December 2016 and 31 December 2017, items of property, plant and equipment which include sealing machines, inventory nos. 268, 269 and 282, value: PLN 4 665 466.96, were entered into the Pledge Register (pledge amount: EUR 1 096 500) for Bank Handlowy w Warszawie by the District Court for Poznań Nowe Miasto and Wilda in Poznań, 7th Commercial Division.

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

as at 1 January 2016	PLN 3 405 780.93
as at 31 December 2016	PLN 2 846 577.74
as at 31 December 2017	PLN 2 377 552.70

The finance lease agreements are for 3 motor vehicles used for the Company's business purposes, 2 film making machines, 3 sealing machines, and a forklift truck.

(in PLN)

Changes in property, plant and equipment by category

GROSS VALUE OF PROPERTY, PLANT AND EQUIPMENT	buildings, premises and civil	technical	motor	other property	property, plant	Total
	engineering structures	equipment and machinery	vehicles	plant & equipment	&equipment under construction	
Gross value as at 1 January 2016	10 695 294	23 193 426	766 640	419 645	9 528	35 084 534
Increase:	231 644	13 778 034	164 650	72 195	2 209 195	16 455 719
acquisition	231 644	13 778 034	164 650	72 195	2 209 195	16 455 719
buying out a lease	-	-	-	-	-	0
reclassification	-	-	-	-	-	0
Decrease:	0	735 333	0	0	9 528	744 861
sale	-	680 197	-	-	-	680 197
retirement	-	55 136	-	-	-	55 136
reclassification	-	-	-	-	9 528	9 528
Gross value as at 31 December 2016	10 926 938	36 236 127	931 290	491 840	2 209 195	50 795 392
Increase:	22 061	3 777 569	95 451	8 266	226 782	4 130 128
acquisition	22 061	3 637 033	48 000	8 266	226 782	3 942 142
buying out a lease	-	140 536	47 451	-	-	-
reclassification	-	-	-	-	-	-
Decrease:	-	102 214	85 177	7 500	2 209 195	2 404 086
sale	-	10 350	-	-	-	10 350
retirement	-	91 864	37 726	7 500	-	137 090
reclassification	-	-	47 451	-	2 209 195	2 256 646
Gross value as at 31 December 2017	10 948 999	39 911 482	941 564	492 606	226 782	52 521 434

(in PLN)

Changes in property, plant and equipment by category

	buildings, premises and civil engineering structures	technical equipment and machinery	motor vehicles	other property plant & equipment	property, plant & equipment under construction	Total
Accumulated depreciation and impairment losses as at 1 January 2016	2 384 753	11 687 958	392 697	205 365	0	14 670 773
Increase:	294 399	2 732 877	90 428	37 281	-	3 154 985
depreciation for the year	294 399	2 732 877	90 428	37 281	-	3 154 985
reclassification	-	-	-	-	-	0
Decrease:	-	399 427	-	-	-	399 427
sale	-	344 291	-	-	-	344 291
retirement	-	55 136	-	-	-	55 136
reclassification	-	-	-	-	-	0
Accumulated depreciation and impairment losses as at 31 December 2016	2 679 152	14 021 408	483 125	242 646	0	17 426 332
Increase:	305 644	3 065 511	92 785	49 030	0	3 512 970
depreciation for the year	305 644	3 065 511	92 785	49 030	-	3 512 970
reclassification	-	-	-	-	-	-
Decrease:	0	153 412	34 113	7 500	0	195 025
sale	-	10 350	-	-	-	10 350
retirement	-	91 864	34 113	7500	-	133 477
reclassification	-	51 198	-	-	-	51 198
Accumulated depreciation and impairment losses as at 31 December 2017	2 984 795	16 933 507	541 798	284 176	0	20 744 277
Net book value:						
as at 1 January 2016	8 310 541	11 505 467	373 944	214 280	9 528	20 413 760
as at 31 December 2016	8 247 786	22 214 719	448 165	249 194	2 209 195	33 369 060
as at 31 December 2017	7 964 204	22 977 975	399 766	208 430	226 782	31 777 157

Impairment losses

In the accounting period from 1 January through 31 December 2017, the Company did not identify the need for recognizing impairment losses in relation to property, plant and equipment.

(in PLN)

4. Intangible assets

	31/12/2017	31/12/2016	01/01/2016
Computer software	163 822	37 886	5 580
Total intangible assets	163 822	37 886	5 580

Change in intangible assets

**GROSS VALUE OF
INTANGIBLE ASSETS**

computer
software **Total**

Gross value as at 1 January 2016

378 311 378 311

Increase:		
acquisition	57 688	57 688
reclassification	57 688	57 688

Decrease:

sale	-	-
retirement	-	-
reclassification	-	-

**Gross value as at
31 December 2016**

435 999 435 999

Increase:		
acquisition	162 651	162 651
reclassification	162 651	162 651

Decrease:

sale	4 442	4 442
retirement	-	-
reclassification	4 442	4 442
	-	-

**Gross value as at
31 December 2017**

594 208 594 208

**Accumulated
amortisation and
impairment losses
as at 1 January 2016**

computer
software **Total**

372 731 372 731

Increase:		
amortisation for the year	25 381	25 381
reclassification	25 381	25 381
	-	-

Decrease:

sale	-	-
retirement	-	-
reclassification	-	-

(in PLN)

Accumulated amortisation and impairment losses as at 31 December 2016	398 112	398 112
Increase:	36 715	36 715
amortisation for the year	36 715	36 715
reclassification	-	-
Decrease:	4 442	4 442
sale	-	-
retirement	4 442	4 442
reclassification	-	-
Accumulated amortisation and impairment losses as at 31 December 2017	430 386	430 386
Net book value:		
as at 1 January 2016	5 580	5 580
as at 31 December 2016	37 886	37 886
as at 31 December 2017	163 822	163 822

5. Perpetual usufruct right

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

	31/12/2017	31/12/2016
Perpetual usufruct right - value at acquisition cost	711 410	711 410

6. Investments in other entities

Interests and loans advanced	31/12/2017	31/12/2016
Beginning of the period	-	-
Increase	-	-
Set-off against liabilities	-	-
Decrease	-	-
End of the period	-	-

7. Deferred tax

Deferred income tax as at 31 December results from the following items:

Deferred tax asset components	31/12/2017	31/12/2016
<i>Assets</i>		
Unrealised foreign exchange losses on trade receivables	11 566	538
<i>Liabilities</i>		
Provisions for employee benefits	211 209	207 841
Unrealised foreign exchange losses on loans and borrowings	-	-
Unrealised foreign exchange losses on trade payables	6 280	26 568
Liabilities for social security contributions, paid after the balance sheet date	68 906	67 907
Payroll liabilities	390	5 376
Liabilities for interest on the loan, paid after the balance sheet date	13 284	9 359
Other	0	19
	311 635	317 608

Deferred tax liability components

31/12/2017 31/12/2016

Assets

Net value of property, plant and equipment under finance lease	451 735	540 850
Unrealised foreign exchange gains on trade receivables	0	2 546
Interest accrued on trade receivables	0	51

Liabilities

Unrealised foreign exchange gains on trade payables	8 074	8 197
Accrued bonuses from suppliers	34 536	(24 844)
Lease payments	(306 767)	(410 769)
	187 578	116 031

8. Provisions for other liabilities

31/12/2017 31/12/2016

Provision for employee benefits	1 111 629	1 093 900
<i>including: non-current</i>	501 243	485 679
<i>current</i>	610 386	608 221

(in PLN)

9. Inventories

	31/12/2017	31/12/2016
Materials	8 050 167	7 775 630
Commodities	106 927	-
Finished products	3 387 185	2 060 878
Work in progress	1 527 870	1 809 089
	13 072 149	11 645 597

As at 31 December 2016 and 31 December 2017, the Company's inventories were not pledged to secure the Company's liabilities.

10. Trade and other receivables

	31/12/2017	31/12/2016
Trade accounts receivable from related entities	6 720 498	7 214 286
Trade accounts receivable from other entities	8 271 970	7 129 685
Valuation allowances on receivables	(37 500)	
Other receivables	5 700	3 175
VAT receivable	650 620	1 591 200
Current receivables	8 890 790	8 724 060

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

The following were changes in valuation allowances on receivables:

Changes in valuation allowances on receivables	2017	2016
Beginning of the period	-	-
Increase	40 000	-
Decrease - reversal	(2 500)	-
End of the period	37 500	-

The following is the ageing structure of trade receivables which are past due but not impaired:

	Past due but collectible				
	<30 days	30-60 days	60-90 days	90-120 days	> 120 days
As at:					
1 January 2016	1 026 299	154 151	-	-	50 453
31 December 2016	1 204 300	25 370	-	135 555	-
31 December 2017	2 355 611	208 240	53 875	4 339	-

(in PLN)

Currency structure of current trade receivables

	31/12/2017	31/12/2016
Receivables in local currency	11 104 502	10 762 196
Receivables in foreign currencies	3 887 966	3 581 775
	<u>14 992 468</u>	<u>14 343 970</u>
	31/12/2017	31/12/2016
Receivables in EUR	3 887 966	3 581 795
Receivables in USD	-	-
	<u>3 887 966</u>	<u>3 581 795</u>

This specific structure of the receivables exposes the Company to foreign currency risks, 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 2016	651 176	680 881
for the period from 1 January through 31 December 2017	783 037	530 010

10.1. Income tax receivable

	31/12/2017	31/12/2016
Income tax receivable	-	-
Total	<u>-</u>	<u>-</u>

11. Transactions with related entities

Sales to:

Parent
Other related entities
Total

Gain on operating activities	
from 01.01. through 31/12/2017	from 01.01. through 31/12/2016
22 457 887	18 785 668
14 175 989	11 895 407
<u>36 633 877</u>	<u>30 681 075</u>

Sales to:

Parent
Other related entities
Total

Receivables	
as at 31.12.2017	as at 31.12.2016
4 110 318	4 602 553
2 610 180	2 611 733
<u>6 720 498</u>	<u>7 214 286</u>

(in PLN)

Purchase from:

Parent	
Other related entities	
Total	

Purchase (costs, assets)	
from 01.01. through 31.12.2017	from 01.01. through 31.12.2016
20 031	19 142
4 559 335	7 224 299
4 579 366	7 243 441

Purchase from:

Parent	
Other related entities	
Total	

Liabilities	
as at 31.12.2017	as at 31.12.2016
123 905	34 903
322 347	634 291
446 253	669 194

Loans advanced to:

Parent	
Subsidiary	
Associated entity	
Joint venture	
Other related entities	
Total	

31/12/2017		31.12.2016	
Advanced in the period	Accumulated balance	Advances in the period	Accumulated balance
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

Loans received from:

Parent	
Subsidiary	
Associated entity	
Joint venture	
Other related entities	
Total	

31/12/2017		31/12/2016	
Received in the period	Accumulated balance	Received in the period	Accumulated balance
13 500 000	13 500 000	13 500 000	13 500 000
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
13 500 000	13 500 000	13 500 000	13 500 000

11.1. Prepayments and accrued income - assets

	31/12/2017	31/12/2016
Insurance	30 152	38 905
Annual service fee of Exact	22 538	26 330
Spare parts	-	-
Other	4 737	15 169
	57 427	80 404

11.2. Accruals and deferred income - liabilities

Financial Statements of "Polipak" Sp. z o.o. for the period starting 1 January and ending 31 December 2017
(in PLN)

31/12/2017 31/12/2016

Deferred income

subsidies to finance fixed assets	254 318	295 359
other (including fixed assets financed through the Company Fund for Rehabilitation of Disabled Persons)	541 891	554 871
	796 209	850 230

Deferred income

non-current	703 843	671 487
current	92 365	178 743
	796 209	850 230

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 USD 107 165 (PLN 453 171.94) for three sealing machines, of which proceeds of PLN 212 129.35 remained unsettled as at 31 December 2017. In 2016, the Company received funding from the District Labour Office to finance the purchase of forklift trucks in the net amount of PLN 48 780.48, of which proceeds of PLN 42 188.61 remained unsettled as at 31 December 2017. Proceeds of PLN 541 890.54 are from reductions and exemptions to which the Company became entitled under the Disabled Professional and Social Rehabilitation and Employment Act. Having funds available in the Company Fund for Rehabilitation of Disabled Persons makes it possible for the Company to maintain its employment rate which the Company has been continuously maintaining since its loss of its supported employment enterprise status, and which the Company intends to maintain in the future. Subsidies for items of the assets are gradually recognised in profit as income through periods proportionally to depreciation charges for the asset components.

12. Cash and cash equivalents

	31/12/2017	31/12/2016
in hand	3 962	7 398
at banks	1 585 899	155 453
deposited on the account of the Company Employee Benefit Fund	45 333	10 299
deposited on the account of the Company Fund for Rehabilitation of Disabled Persons	32 053	61 026
	1 667 247	234 176
in local currency	226 634	214 810
in foreign currencies	1 440 613	19 366
	1 667 247	234 176
Cash in EUR	1 421 247	58
Cash in USD	19 367	4 572

Excepts funds deposited on the accounts of the Company Employee Benefit Fund and of the Company Fund for Rehabilitation of Disabled Persons, the Company has no funds of limited availability. As far as cash is concerned, concentration of credit risk is limited; the Company maintains cash in several recognised financial institutions, i.e. BZ WBK, Bank Handlowy, BGŻ BNP Paribas, and Deutsche Bank (until 6 December 2017).

13. Share capital

As at 31 December 2017, the share (initial) capital of Polipak Sp. z o.o. was PLN 1 000 000 and comprised:
 PLN 700 000 - 7 000 shares of PLN 100 each, held by Sarantis Polska S.A. of Piaseczno
 PLN 300 000 - 3 000 shares held by GNI Investments Grzegorz Nowak sp.j. of Poznań

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 excess amount 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.

	31/12/2017	31/12/2016
	3 607 059	3 607 059

Retained earnings include the following items:

	31/12/2017	31/12/2016
supplementary capital	2 743 895	2 135 133
reserve capital	7 537 000	7 537 000
net profit	5 012 042	2 201 842
undistributed profit of prior years	-	(712 343)
Total retained earnings	15 292 937	11 161 632

14. Proposed distribution of the Company's profit for 2017

Pursuant to the Company's Articles of Association, the Board of Directors proposes that the net profit of PLN 5 012 041,89 for 2017 should be distributed as follows:

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

15. Financial liabilities

15.1. Loans and borrowings payable

	31/12/2017	31/12/2016
overdraft facility - CH	5 798 073	3 080 779
overdraft facility - DB	-	3 100 973
investment loan - CH	567 776	1 446 329
investment loan - PFP	178 140	279 780
loan for current purposes - Sarantis Polska	3 000 000	3 000 000
overdraft facility - BNP Paribas	7 330 132	9 028 490
investment loan - Sarantis Polska	10 500 000	10 500 000
	27 374 122	30 436 351
	31/12/2017	31/12/2016

Financial Statements of "Polipak" Sp. z o.o. for the period starting 1 January and ending 31 December 2017**(in PLN)**

non-current liabilities	13 576 500	13 678 140
current liabilities	13 797 622	16 758 211
	27 374 122	30 436 351

31/12/2017 31/12/2016

in local currency	25 776 564	19 930 200
in foreign currencies (EUR)	1 597 557	10 506 151
	27 374 122	30 436 351

31/12/2017 31/12/2016

loan in EUR	383 025	2 374 808
-------------	----------------	------------------

15.2. Loans payable to related entities**31/12/2017 31/12/2016**

Sarantis Polska SA - loan for current operations	3 000 000	3 000 000
Sarantis Polska SA - investment loan	10 500 000	10 500 000
	13 500 000	13 500 000

As at 31 December 2017, the Company had loans provided by the followings banks:

1. Bank Handlowy

a) dual currency overdraft facility under agreement no. BKD/KR-RB/000091421/0151/14, with the most recent annex of 06 September 2017.

On 7 June 2017, (by Annex No. 4) the Bank changed the line granted to the Company for the purpose of financing current operations to PLN 10 000 000.

The liability under the facility is PLN 5 798 073.22 as at 31 December 2017. The line remains available until 28 June 2019.

On the actually used portion of the facility, the bank charged interest at a variable rate of EURIBOR/WIBOR 1M plus bank margin of 1.1 pp per annum, front-end-fee of 0.2% of the granted limit and administration fee of PLN 100.

The annex of 7 June 2017 has changed the bank's margin to 0.90% and the front-end-fee to 0.10% per annum, and introduced a monthly administration fee of 0.02% of the limit.

The loan is secured with the civil-law guarantee from Sarantis Polska SA for up to PLN 10 000 000, with the notarized statement on submission to collection proceedings up to PLN 10 000 000.

b) investment loan of EUR 223 650 for the purchase of the Elba sealing machine under energy loan agreement no. BDK/KR-E/000091421/0014/13 of 24.06.2013. The loan bears interest at a variable rate of EURIBOR 1M plus margin of 2.3 pps. The Bank charged the administration fee of PLN 350.

The loan is secured with the registered pledge on the said machine which is entered into books as an item of fixed assets under no. 268. The pledge value is EUR 248 000. The loan term is 60 months.

The liability arising from the loan is EUR 19 678.00 as at 31 December 2017.

c) investment loan of EUR 388 000 for the purchase of bag-roll sealing machine under energy loan agreement no.: BDK/KR-E/000091421/0027/13 of 17.07.2013.

The loan bears interest at a variable rate of EURIBOR plus margin of 2.3 pps. Moreover, the bank charged the administration fee of PLN 1 050.

The loan is secured with the registered pledge on the said machine which is entered into books as an item of fixed assets under no. 269. The pledge value is EUR 388 000. The loan term is 60 months.

(in PLN)

The liability arising from the loan is EUR 39 870.00 as at 31 December 2017.

d) investment loan of EUR 460 000 for the purchase of the Coemter sealing machine under energy loan agreement no.: BDK/KR-E/000091421/0058/13 of 05.11.2013.

The loan bears interest at a variable rate of EURIBOR 1M plus margin of 2.0 pps. The bank charged the administration fee of PLN 1 750.

The loan is secured with the registered pledge on the said machine which is entered into books as an item of fixed assets under no. 282. The pledge value is EUR 460 000. The loan term is 60 months.

The liability arising from the loan is EUR 76 580.00 as at 31 December 2017. The Annexes entered into on 7 June 2017 have subjected the facilities described in items b, c, and d to a monthly administration fee of 0.02% of the outstanding amount, due on the first day of the following month.

2. BGŻ BNP Paribas

Overdraft facility under agreement no. WAR/3012/16/141/CB of 01.07.2016. The Bank granted the line of PLN 10 000 000 to the Company, for the purpose of financing current operations.

The liability arising from the facility is PLN 7 330 132.04 as at 31 December 2017. The line remains available until 29 June 2018 (Annex No. 2 of 02 July 2017). On the actually used portion of the facility, the bank charges interest at a variable rate of

WIBOR 1M plus bank margin of 1.0 pp per annum for the PLN portion and EURIBOR 3M plus bank margin of 1.5 pp per annum for the EUR portion.

The line is secured with:

- civil-law guarantee from Sarantis Polska SA for up to PLN 15 000 000, with the Guarantor's statement on submission to collection proceedings;
- corporate guarantee from Sarantis Polska SA for up to PLN 10 000 000;
- Borrower's statement on submission to collection proceedings as far as the pecuniary obligation under the agreement is concerned, for up to PLN 15 000 000.

Annex No. 2 of 02 July 2017 has changed the way the line is secured as follows:

The line is secured with:

- civil-law guarantee from Sarantis Polska SA for up to PLN 10 000 000, with the Guarantor's statement on submission to collection proceedings.

4. Polska Fundacja Przedsiębiorczości

Polska Fundacja Przedsiębiorczości granted the repayable loan of PLN 500 000 for investment purposes to the Company. The loan was granted under agreement no.: 135/108/015/2014 29.09.2014.

The loan bears interest at the fixed rate of 2.5% per annum. The loan term is 60 months.

The loan is secured with the real property mortgage for up to PLN 1 000 000.

The loan has been used for partial financing of construction costs of the production and storage building.

The liability arising from the loan is PLN 178 140 as at 31 December 2017.

5. 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 29.01.2016 with the Annex of 24.03.2016 and the Annex of 15 December 2017, under

(in PLN)

which Sarantis granted Polipak the loan of PLN 3 000 000 to finance current operations of Polipak. The loan repayment deadline is 31 December 2019;

- loan agreement of 24.03.2016 with the Annex of 15 December 2017, under which Sarantis granted the multiple disbursement loan for the total amount of PLN 12 400 000 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 2019. The loan is for the current and investing business activities. The liability arising from the loan is PLN 10 500 000 as at 31 December 2017.

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 has changed to 1.0 pp since 1 February 2017.

In 2017, total interest on the loans was PLN 360 228.02.

While advancing investment loans referred to in items 1b, 1c and 1d, Bank Handlowy imposed additional financial obligations on the Company, which obligations the Company undertook to meet during the term of the loan agreements. The covenants included in the loan agreements relate to the following financial ratios:

- Debt to EBIDTA ratio, which is calculated according to the following formula specified in the agreements: (Non-current loans and borrowings payable + liabilities from the issue of the debt securities + other non-current financial liabilities + current loans and borrowings payable + current liabilities from the issue of debt securities + other current financial liabilities / (Profit(loss) on operating activities - gain on the sale of non-financial fixed assets + loss on the sale of non-financial fixed assets + depreciation) should be maximum 4.5.

As at 31 December 2017, the outstanding balance for the investment loans is EUR 136 128 or PLN 567 776,28 upon translation at the exchange rate of 31 December 2017.

In the case when the agreement is violated, the Bank is entitled to:

- request the client to establish additional collaterals for the loans;
- terminate the loans in whole or in part; and
- reduce the amount of the loan advanced.

15.3. Finance lease

Under finance lease agreements with a buyout option, the Company uses passenger cars for the Company's business purposes, machines and a forklift truck.

The following are future minimum lease payments under the lease agreements, and the net current value of minimum lease payments:

Future minimum lease payments obligatory for the Company

Liabilities:

Liabilities due within 1 year	730 626
Liabilities due between 1 to 5 years	939 241
Liabilities due after 5 years	-
	1 669 867

Net current value:

Liabilities due within 1 year	678 101
Liabilities due between 1 to 5 years	936 461
Liabilities due after 5 years	-
	1 614 562

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 IAS 39:

- 1 - loans and receivables (L&R)
- 2 - financial assets measured at fair value through profit or loss - intended for sale (AFW-PL)
- 3 - financial assets measured at fair value through profit or loss - at initial recognition, identified for measurement at fair value (AFW-V)
- 4 - held-to-maturity investments (HTMV)
- 5 - available-for-sale financial assets (ASFS)
- 6 - hedging derivatives (HD)
- 7 - assets outside the scope of IAS 39 (Outside IAS 39)

*Financial instrument categories as per IAS 39						Outside IAS39	Total
L&R	AFW-P	AFW-V	HTMV	ASFS	HD		

As at 31.12.2017

<i>Fixed assets:</i>							
Receivables and loans		-	-	-	-	-	-
Derivative financial instruments		-	-	-	-	-	-
Other non-current financial assets		-	-	-	-	-	-
<i>Current assets:</i>							
Trade and other receivables	14 960 668	-	-	-	-	650 620	15 611 288
Loans		-	-	-	-	-	-
Derivative financial instruments		-	-	-	-	-	-
Other current financial assets		-	-	-	-	-	-

Financial Statements of "Polipak" Sp. z o.o. for the period starting 1 January and ending 31 December 2017

(in PLN)

Other current financial assets								
Cash and cash equivalents	1 667 247	-	-	-	-	-	-	1 667 247
Total financial asset categories	16 627 915	0	0	0	0	0	650 620	17 278 535

*Financial instrument categories as per IAS 39						Outside IAS39	Total
L&R	AFW-P	AFW-V	HTMV	ASFS	HD		

As at 31.12.2016

<i>Fixed assets:</i>								
Receivables and loans	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
Other non-current financial assets	-	-	-	-	-	-	-	-
<i>Current assets:</i>								
Trade and other receivables	14 347 146	-	-	-	-	-	1 591 200	15 938 346
Loans	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	-
Other current financial assets	-	-	-	-	-	-	-	-
Cash and cash equivalents	234 175	-	-	-	-	-	-	234 175
Total financial asset categories	14 581 321	0	0	0	0	0	1 591 200	16 172 521

The value of financial liabilities presented in the consolidated Statement of Financial Position relates to the following categories of financial instruments specified in IAS 39:

- 1 - financial liabilities measured at fair value through profit or loss - intended for sale (LFW-PL)
- 2 - financial liabilities measured at fair value through profit or loss - at initial recognition, identified for measurement
- 3 - financial liabilities measured at amortised cost (LAC)
- 4 - hedging derivatives (HD)
- 5 - liabilities outside the scope of IAS 39 (Outside IAS 39)

Financial Statements of "Polipak" Sp. z o.o. for the period starting 1 January and ending 31 December 2017

(in PLN)

	*Financial instrument categories as per IAS 39				Outside IAS39	Total
	LFW-PL	LFW-V	LAC	HD		
As at 31.12.2017						
<i>Non-current liabilities:</i>						
Loans, borrowings, and other debt instruments	-	-	13 576 500	-	-	13 576 500
Finance lease	-	-	-	-	936 461	936 461
Derivative financial instruments	-	-	-	-	-	0
Other liabilities	-	-	-	-	-	0
<i>Current liabilities:</i>						
Trade and other payables	-	-	10 260 498	-	897 122	11 157 620
Loans, borrowings, and other debt instruments	-	-	13 797 622	-	-	13 797 622
Finance lease	-	-	-	-	678 101	678 101
Derivative financial instruments	-	-	-	-	-	0
Total financial liability categories	0	0	37 634 619	0	2 511 685	40 146 304

	*Financial instrument categories as per IAS 39				Outside IAS39	Total
	LFW-PL	LFW-V	LAC	HD		
As at 31.12.2016						
<i>Non-current liabilities:</i>						
Loans, borrowings, and other debt instruments	-	-	13 678 140	-	-	13 678 140
Finance lease	-	-	-	-	1 519 672	1 519 672
Derivative financial instruments	-	-	-	-	-	0
Other liabilities	-	-	-	-	-	0
<i>Current liabilities:</i>						
Trade and other payables	-	-	10 229 973	-	925 714	11 155 687
Loans, borrowings, and other debt instruments	-	-	16 758 211	-	-	16 758 211
Finance lease	-	-	-	-	642 270	642 270
Derivative financial instruments	-	-	-	-	-	0
Total financial liability categories	0	0	40 666 324	0	3 087 657	43 753 981

Financial Statements of "Polipak" Sp. z o.o. for the period starting 1 January and ending 31 December 2017
(in PLN)

17. Current trade and other payables

	31/12/2017	31/12/2016
Trade accounts payables to related entities	323 787	669 194
Other payables to related entities	122 466	-
	446 253	669 194
Trade and other payables	10 711 368	10 486 493
<i>including: VAT payable</i>	-	-
<i>personal income tax</i>	189 996	167 510
<i>Social Security Office</i>	651 616	679 894
<i>Special funds</i>	55 510	78 310
Other financial liabilities	678 101	642 270
Employee benefits payable	1 303 863	1 245 977
<i>including: provisions for other employee benefits</i>	610 386	608 221
Income tax payable	497 506	113 898
Total current liabilities	13 637 090	13 157 832

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 30-70 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 liabilities are those resulting from tax returns for December 2017 and January 2018, while Social Security Office liabilities result from statements for January and February 2018.

Currency structure of current trade payables

	31/12/2017	31/12/2016
Local currency payables	6 551 289	3 786 067
Foreign currency payables	3 557 393	6 418 055
	10 108 682	10 204 122

	31/12/2017	31/12/2016
Payables in EUR	3 557 393	6 418 055
Payables in USD	-	-

17.1. Current income tax payable

	31/12/2017	31/12/2016
income tax	497 506	113 898

(in PLN)

including: corporate income tax 497 506 113 898

17.2. Current employee benefits payable

	31/12/2017	31/12/2016
employee benefits	1 303 863	1 245 977
including: current provisions for other payables	610 386	608 221

18. Sales revenue

	1 January 2017 31 December 2017	1 January 2016 31 December 2016
Revenue from sales of products	105 075 081	96 907 729
Revenue from sales of services	21 378	18 049
Revenue from sales of commodities and materials	920 183	1 869 845
	<u>106 016 642</u>	<u>98 795 623</u>
Domestic sales revenue	47 724 811	40 774 497
Foreign sales revenue	58 291 831	58 021 126
	<u>106 016 642</u>	<u>98 795 623</u>

Detailed information on the sales structure and fundamental factors that affected the sales value is presented in the Board of Directors' Report on the Company's operations.

19. Other operating income

	1 January 2017 31 December 2017	1 January 2016 31 December 2016
Gains on disposal of assets:	1 787	191 061
Gain on the sale of fixed assets	1 787	191 061
Subsidies	644 533	707 142
Wage and salary subsidies, other subsidies	551 383	493 357
Depreciation of fixed assets in the part financed with the subsidy, funds from the Company Fund for Rehabilitation of Disabled Persons, financial	93 150	213 785
Other operating income	66 234	125 828
bonuses on purchases	-	-
reimbursement of social security contributions and PZU insurance premiums	-	8 725,0
inventory differences	3 088,2	31 182,8
other	63 146,3	85 919,9
Attributable to continuing operations	712 554	1 024 031
Attributable to abandoned operations	0	0

Financial Statements of "Polipak" Sp. z o.o. for the period starting 1 January and ending 31 December 2017
(in PLN)

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 valuation allowances on receivables, impairment losses relating to fixed assets, and inventory differences.

20. Other operating expenses

	1 January 2017	1 January 2016
	<u>31 December 2017</u>	<u>31 December 2016</u>
Loss on disposal of assets:	0	0
Loss on the sale of fixed assets:	-	-
Other operating expenses	143 980	129 682
costs arising from inventory differences	19 331	4 615
donations	6 112	2 539
bad debt written off	-	3 714
revaluation allowance on receivables	37 500	-
other	81 038	118 813
Attributable to continuing operations	143 980	129 682
Attributable to abandoned 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 (in kind and cash) to other entities, including public benefit organisations.

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

21. Finance income

	1 January 2017	1 January 2016
	<u>31 December 2017</u>	<u>31 December 2016</u>
Interest income	232	4 430
interest on bank deposits	232	4 430
interest on loans advanced	-	-
Other finance income	417 001	653
gain on exchange differences	416 421	-
gain on the sale of interests in related parties	-	-
valuation allowances on interest receivable, reversed	-	-
other	580	653
Attributable to continuing operations	417 232	5 083
Attributable to abandoned operations	0	0

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

(in PLN)

22. Finance cost

	1 January 2017	1 January 2016
	<u>31 December 2017</u>	<u>31 December 2016</u>
Interest expense	735 844	493 349
interest on loans, including overdraft facilities	680 433	402 521
lease interest	55 159	79 406
interest on factoring arrangements	-	10 622
interest on liabilities	252	799
Other finance cost	152 379	428 752
loss on exchange differences	-	397 606
bank fees and charges	29 913	30 281
costs of additional contributions to related parties	-	-
costs of the sale of interests in related parties	-	-
cost of sureties and bank guarantees	122 466	-
other	-	865
Attributable to continuing operations	888 222	922 101
Attributable to abandoned 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.

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. 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 provisions 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, jubilee, and accrued holiday entitlement.

Financial Statements of "Polipak" Sp. z o.o. for the period starting 1 January and ending 31 December 2017
(in PLN)

Deferred tax 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 elements of tax liabilities for the years ended 31 December 2017 and 31 December 2016:

	Period ending 31.12.2017	Period ending 31.12.2016
Current income tax	1 096 214	576 800
Origination/reversal of temporary differences	77 520	(59 422)
Income tax disclosed in comprehensive income	1 173 734	517 378

The difference between the tax amount disclosed in the Statement of Comprehensive Income and the amount calculated on profit before tax results from the following items:

	Period ending 31.12.2017	Period ending 31.12.2016
Financial result before tax	6 185 776	2 719 220
Tax at a rate of 19% applicable in Poland	1 096 214	576 800
	77 520	(59 422)
Tax effect of non-deductible costs and non-taxable income		
Current tax liability	1 173 734	517 378
Effective tax rate	18,97%	19,03%

24. Contingent liabilities

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

As at 31 December 2017, the Company had no contingent liabilities.

25. Tax settlements

Financial Statements of "Polipak" Sp. z o.o. for the period starting 1 January and ending 31 December 2017
(in PLN)

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 and other (i.e. supported employment enterprises or rights after losing the supported employment enterprise status) settlements may be controlled by relevant agencies that are authorised to impose penalties, and additional amounts due established through such controls have to be paid along with high interest thereon. These phenomena make tax risks in Poland higher than in countries that enjoy more developed tax systems. Tax settlements may be controlled for five years after the end of the year in which relevant tax has been paid. Therefore, as a result of such control, the Company's existing tax settlements may be questioned and increased

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, transaction 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 contracted the investment loan in EUR to finance transactions on the European market, and uses dual currency overdraft facilities (PLN/EUR) to provide financing for its current operations. To minimize currency risks, the Company tries to align values and maturities of assets, and maturities of liabilities. The most important and most effective factor in construing the currency risk management strategy is the human factor consisting in control of, and collaboration among people involved in the selection of purchasing and selling markets. The following are the Company's financial assets and liabilities, other than derivatives stated in foreign currencies, translated into PLN at the closing rate at the balance sheet date:

	foreign currency, before translation		After translation
	EUR	USD	
As at 31.12.2017			
<i>Financial assets (+)</i>			
Loans	-	-	-
Trade receivables and other financial receivables	3 931 383	-	3 887 966
Other financial assets	-	-	-
Cash and cash equivalents	1 433 749	24 161	1 440 613
<i>Financial liabilities (-)</i>			
Loans and borrowings	(1 570 832)	-	(1 597 557)
Lease payables	-	-	-

(in PLN)

Trade liabilities and other financial liabilities	(3 596 110)	-	(3 557 393)
Total currency risk exposure	198 191	24 161	173 629

As at 31.12.2016

Financial assets (+)

Loans	-	-	-
Trade receivables and other financial receivables	3 572 306	-	3 581 775
Other financial assets	-	-	-
Cash and cash equivalents	259	18 004	19 366

Financial liabilities (-)

Loans and borrowings	(10 472 377)	-	(10 506 151)
Lease payables	-	-	-
Trade liabilities and other financial liabilities	(6 356 395)		(6 419 310)
Total currency risk exposure	(13 256 207)	18 004	(13 324 320)

Credit risk

The Board of Directors applies the credit policy, under which the Board monitors its clients' and debtors' outstanding 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 that 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. No impairment loss has been recognised and there was no litigation during the year or at the balance sheet date.

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.

27. Employment structure

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

	01.01.2017 through 31.12.2017	01/01/2016 through 31.12.2016
White-collar workers	48	40
Blue-collar workers	172	168
Total FTE	220	208
Workers engaged under contracts of mandate	8	25
Workers engaged by the Employment Agency	73	44
number of workers hired	27	59
number of workers terminated	33	33

28. Remuneration for the Board of Directors

	01.01.2017 through 31.12.2017	01/01/2016 through 31.12.2016
under the contract of employment		
Board of Directors composed of 4 persons	599 535	-
Board of Directors composed of 5 persons		560 279

29. Post-balance sheet events

After the balance sheet date, there were no events that had any material effect on the assessment of these Financial Statements or on the Company's financial standing.

Środa Wielkopolska, 14 February 2018

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

