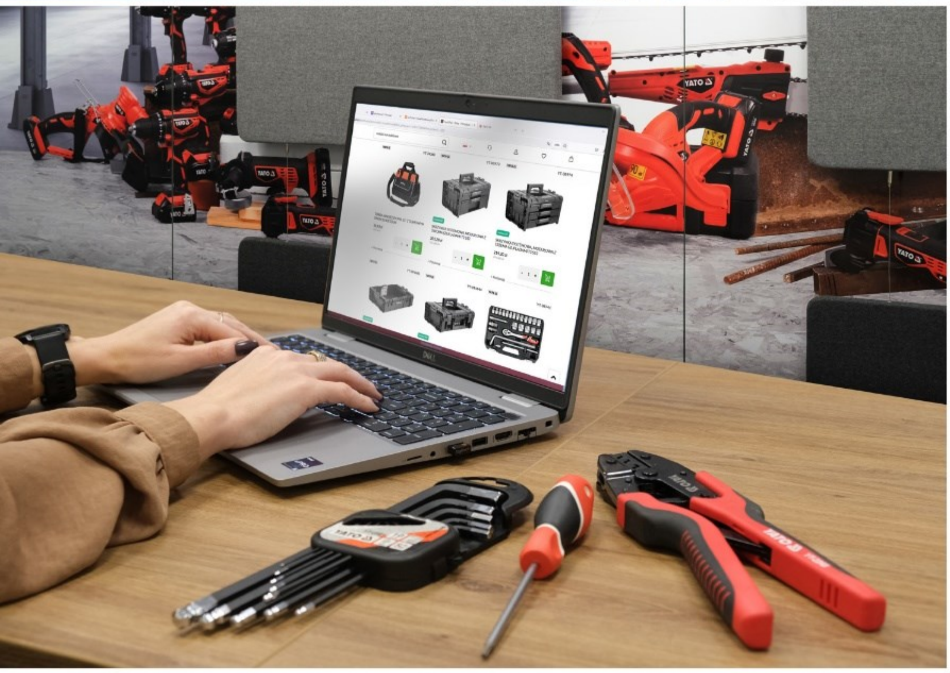

Consolidated financial statements of TOYA S.A. Capital Group for 2023

Contents

(amounts are expressed in PLN thousand, unless specified otherwise)

Consolidated statement of financial position

	Note	31 December 2023	31 December 2022
ASSETS			
Property, plant and equipment	8	63,750	64,672
Intangible assets	9	4,348	4,610
Right-of-use assets	10	34,524	29,725
Goodwill	11	723	830
Other receivables		48	52
Deferred income tax assets	29	4,553	4,701
Total non-current assets		**107,946**	**104,590**
Inventory	12	287,280	341,166
Trade and other receivables	13	88,061	105,359
Income tax receivables		214	847
Cash and cash equivalents	14	69,927	38,836
Total current assets		**445,482**	**486,208**
Total assets		**553,428**	**590,798**
EQUITY AND LIABILITIES			
Share capital	16	7,504	7,504
Share premium		35,677	35,677
Reserve capital		329	329
Exchange differences from translating foreign entities		(8,487)	10,543
Other capitals		(104)	(73)
Retained earnings	17	385,032	316,714
Equity attributable to shareholders of the Parent Company		**419,951**	**370,694**
Total equity		**419,951**	**370,694**
Liabilities from loans	18	-	17,143
Lease liabilities	21	25,478	17,240
Deferred income tax liability		402	546
Liabilities from employee benefits	20	678	566
Other long-term liabilities		36	35
Total long-term liabilities		**26,594**	**35,530**
Trade and other payables	19	83,422	95,619
Liabilities from employee benefits	20	12,304	11,806
Liabilities from loans	18	-	65,024
Lease liabilities	21	6,459	8,694
Liabilities from current income tax	29	3,105	1,703
Other provisions	22	1,593	1,728
Total short-term liabilities		**106,883**	**184,574**
Total liabilities		**133,477**	**220,104**
Total equity and liabilities		**553,428**	**590,798**

(amounts are expressed in PLN thousand, unless specified otherwise)

Consolidated statement of profit or loss and other comprehensive income

	Note	12 months ended 31 December 2023	12 months ended 31 December 2022
Revenue from sales of goods	23, 24	732,396	762,590
Cost of goods and materials sold	23, 25	(488,345)	(519,925)
Gross sales profit		**244,051**	**242,665**
Selling costs	25	(114,314)	(108,904)
Administrative expenses	25	(42,934)	(40,518)
Expected credit losses	13	(548)	(15)
Other operating income	27	3,430	4,872
Other operating expenses	27	(920)	(456)
Operating profit		**88,765**	**97,644**
Financial income	28	543	279
Financial expenses	28	(4,296)	(9,574)
Profit before tax		**85,012**	**88,349**
Income tax	29	(16,694)	(18,129)
Profit from continuing operations		**68,318**	**70,220**
Net profit		**68,318**	**70,220**
Other comprehensive income that may be reclassified to profit or loss		**(19,030)**	**(340)**
Foreign operations currency translation differences		(19,030)	(340)
Other comprehensive income that will not be reclassified to profit or loss		**(38)**	**168**
Actuarial gains or losses		(38)	168
Other gross comprehensive income		**(19,068)**	**(172)**
Income tax on other comprehensive income, that will not be reclassified to profit or loss		7	(32)
Other net comprehensive income		**(19,061)**	**(204)**
Total net comprehensive income for the financial year		**49,257**	**70,016**
Net profit for the year attributable to:			
Shareholders of the Parent Company		68,318	70,220
Non-controlling interests		-	-
Total comprehensive income for the year attributable to:			
Shareholders of the Parent Company		49,257	70,016
Non-controlling interests		-	-
Other comprehensive income attributable to:			
Shareholders of the Parent Company		(19,061)	(204)
Non-controlling interests		-	-

(amounts are expressed in PLN thousand, unless specified otherwise)

Earnings per share

		12 months ended 31 December 2023	12 months ended 31 December 2022
Basic earnings per share in PLN	30	**0.91**	**0.94**
- from continuing operations		0.91	0.94
- from discontinued operations		-	-
Diluted earnings per share in PLN	30	**0.91**	**0.94**
- from continuing operations		0.91	0.94
- from discontinued operations		-	-

(amounts are expressed in PLN thousand, unless specified otherwise)

Consolidated statement of changes in equity

	Share capital	Share premium	Reserve capital	Exchange differences from translating foreign entities	Other capitals	Retained earnings	Attributable to shareholders of the Parent Company	Total equity
As at 1 January 2023	**7,504**	**35,677**	**329**	**10,543**	**(73)**	**316,714**	**370,694**	**370,694**
Comprehensive income								
Net profit	-	-	-	-	-	68,318	68,318	68,318
Other comprehensive income	-	-	-	(19,030)	(31)	-	(19,061)	(19,061)
Total comprehensive income	**-**	**-**	**-**	**(19,030)**	**(31)**	**68,318**	**49,257**	**49,257**
Transactions with owners								
Total changes in equity	**-**	**-**	**-**	**(19,030)**	**(31)**	**68,318**	**49,257**	**49,257**
As at 31 December 2023	**7,504**	**35,677**	**329**	**(8,487)**	**(104)**	**385,032**	**419,951**	**419,951**

	Share capital	Share premium	Reserve capital	Exchange differences from translating foreign entities	Other capitals	Retained earnings	Attributable to shareholders of the Parent Company	Total equity
As at 1 January 2022	**7,504**	**35,677**	**329**	**10,883**	**(209)**	**246,494**	**300,678**	**300,678**
Comprehensive income								
Net profit	-	-	-	-	-	70,220	70,220	70,220
Other comprehensive income	-	-	-	(340)	136	-	(204)	(204)
Total comprehensive income	**-**	**-**	**-**	**(340)**	**136**	**70,220**	**70,016**	**70,016**
Transactions with owners								
Total changes in equity	**-**	**-**	**-**	**(340)**	**136**	**70,220**	**70,016**	**70,016**
As at 31 December 2022	**7,504**	**35,677**	**329**	**10,543**	**(73)**	**316,714**	**370,694**	**370,694**

(amounts are expressed in PLN thousand, unless specified otherwise)

Consolidated cash flow statement

	Note	12 months ended 31 December 2023	12 months ended 31 December 2022
Cash flows from operating activities			
Profit before tax		**85,012**	**88,349**
Adjustments for:		**69,852**	**(7,141)**
Amortization and depreciation	25	16,355	15,141
Net interest	28	3,758	9,298
Profit/Loss on investing activities	27	(27)	(564)
Foreign exchange gains/losses		(567)	2,015
Other adjustments		(5)	(3)
Changes in balance sheet items:			
Change in trade and other receivables	15	6,291	(5,300)
Change in inventories	15	42,740	28,390
Change in provisions	15	(78)	110
Change in trade and other payables	15	250	(58,152)
Change in employee benefit liabilities	15	1,135	1,924
Cash from activities		**154,864**	**81,208**
Income tax paid		(14,519)	(25,700)
Net cash from operating activities		**140,345**	**55,508**
Cash flows from investing activities			
Sale of property, plant and equipment		29	738
Purchases of property, plant and equipment and intangible assets		(11,086)	(21,736)
Interest received		537	276
Net cash from investing activities		**(10,520)**	**(20,722)**
Cash flows from financing activities			
Proceeds from loans		-	16,554
Repayments of loans		(81,722)	(31,675)
Repayment of lease liabilities		(8,619)	(9,385)
Interest paid on loans		(3,249)	(7,819)
Interests paid on leases		(1,491)	(1,419)
Dividends paid		-	-
Net cash from financing activities		**(95,081)**	**(33,744)**
Change in cash before exchange rate differences		**34,744**	**1,042**
Effect of translation of cash and cash equivalents		(3,653)	(1,061)
Net change in cash		**31,091**	**(19)**
Cash and cash equivalents at the beginning of the period	14	**38,836**	**38,855**
Cash and cash equivalents at the end of the period	14	**69,927**	**38,836**

(amounts are expressed in PLN thousand, unless specified otherwise)

Accounting policy and other explanatory notes

1. General information

TOYA S.A. (the "Company" or the "Parent Company") is a joint stock company established under the Commercial Companies Code. Basic information about the Company is presented below:

Name of the reporting entity	TOYA S.A.
Legal form of the entity	Joint-stock company
Entity's registered office address	Ul. Sołtysowicka 13/15, 51-168 Wrocław
Entity's headquarters	Poland
Country of registration	Poland
Primary location of entity's operations	Ul. Sołtysowicka 13/15, 51-168 Wrocław
Name of the Parent Company	Not applicable
Name of the ultimate parent of the group	Not applicable

The Company is a successor of the civil law partnership "TOYA IMPORT-EKSPORT" with its registered office in Wrocław, whose partners, given the scale of the business and its rapid development, resolved to transfer the business in 1999 to a newly established joint stock company TOYA S.A. with its registered office in Wrocław.

The Company was incorporated by virtue of a Notarial Deed of 17 November 1999 drawn up by Notary Public Jolanta Ołpińska in the Notarial Office in Wrocław (Rep. A No 5945/99). Subsequently, pursuant to a court decision of 3 December 1999, the Company was entered into the Commercial Register maintained by the District Court for Wrocław-Fabryczna, 6th Commercial Division, under entry No RHB 9053. By virtue of a decision of 5 December 2001, the District Court for Wrocław-Fabryczna, 6th Commercial Division of the National Court Register, entered the Company into the Register of Entrepreneurs under entry No KRS 0000066712.

As at 31 December 2023, TOYA S.A. operates one branch – in Nadarzyn.

The Company's Statistical Identification Number (REGON) is 932093253, the Nadarzyn Branch has been assigned the Statistical Identification Number (REGON): 932093253-00031.

The core business activities of TOYA S.A. include import and distribution of industrial goods, including primarily hand and power tools for professional and DIY use. The Company distributes goods manufactured and supplied mainly by companies located in China. For many years, the Company has been implementing its strategy of expanding into international markets. It focuses primarily on Central, Southern, and Eastern Europe (Romania, Hungary, Czech Republic, Germany, the Balkan States, Russia, Lithuania, Ukraine, Belarus, Moldova). In 2003, a subsidiary, TOYA Romania S.A., was established, which business includes sales of hand and power tools in Romania. This company offers the same products and brands as those offered by the Company in Poland. In 2013, the company Yato Tools (Shanghai) Co. Ltd., located in China was included in the group of entities subject to full consolidation. The entity deals in the distribution of YATO brand tools and power tools in China and in certain other foreign markets not supported by the Parent Company. In 2019, the company Yato Tools (Jiaxing) Co. Ltd. was founded, with its registered office in Baibu Town, China, which main business is also distribution of tools and power tools. The major part of the activities of Yato Tools (Shanghai) and Yato Tools (Jiaxing) is supply chain management to companies in Poland and Romania.

The duration of the Parent Company and the group entities is unlimited.

(amounts are expressed in PLN thousand, unless specified otherwise)

In period from 1 January 2023 to 31 December 2023, and until the date of approval of these financial statements for publication, the Management Board of TOYA S.A. was composed of the following members:

- Grzegorz Pinkosz — President of the Management Board;
- Maciej Lubnauer — Vice-President of the Management Board;
- Robert Borys — Vice-President of the Management Board.

In the period from 1 January 2023 to 31 December 2023 and until the date of approval of these financial statements for publication, the Supervisory Board of the Parent Company consisted of the following members:

- Piotr Mondalski — President of the Supervisory Board;
- Jan Szmidt — Vice-President of the Supervisory Board;
- Dariusz Górka — Member of the Supervisory Board;
- Michał Kobus — Member of the Supervisory Board;
- Grzegorz Maciąg — Member of the Supervisory Board;
- Wojciech Bartłomiej Papierak — Member of the Supervisory Board;
- Beata Szmidt — Member of the Supervisory Board.

These consolidated financial statements of the Group cover the year ended on 31 December 2023. Comparative data is presented:

- as at 31 December 2022 - for the consolidated statement of financial position;
- for the period from 1 January 2022 to 31 December 2022 - for the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity.

These consolidated financial statements of the Group for the year ended 31 December 2023 were approved for publication by the Management Board on 28 March 2024.

2. Capital group structure

As at 31 December 2023, the Group comprised the following entities:

Entity name	Registered office	Business profile	Type of equity link	% of shares and votes held	Date of assuming control	Method of consolidation as at the end of the reporting period
TOYA S.A.	Wrocław, Poland	Distribution of hand and power tools	Parent Company	Not applicable	Not applicable	Not applicable – Group's Parent Company
Toya Romania S.A.	Bucharest, Romania	Distribution of hand and power tools	Subsidiary	99.99	November 2003	Full consolidation method
Yato Tools (Shanghai) Co., Ltd.	Shanghai, China	Distribution of hand and power tools	Subsidiary	100.00	January 2013	Full consolidation method
Yato Tools (Jiaxing) Co., Ltd.	Baibu Town, China	Distribution of hand and power tools	Subsidiary	100.00	December 2019	Full consolidation method

3. Summary of significant accounting policies

The most significant accounting principles applied in the preparation of these consolidated financial statements have been presented below. Those principles were applied in all periods presented in a continuous way, unless stated otherwise.

3.1. Basis for preparation

These consolidated financial statements of the Group for the financial year ended 31 December 2023 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and interpretations issued by the International Accounting Standards Board, as adopted by the European Union ("EU").

These consolidated financial statements have been prepared in accordance with IFRS and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which were issued and in effect as at the reporting date, i.e. 31 December 2023.

Certain entities of the Group maintain their accounting books in accordance with accounting policies specified in other accounting standards. The consolidated financial statements include a number of adjustments not included in the books of account of those entities of the group, which were made to reconcile the financial statements of those companies to be in compliance with IFRS.

The policies described below have been consistently applied to all the periods presented, except for changes resulting from the application of new or amended standards from 1 January 2023, which were described below.

These consolidated financial statements have been prepared in accordance with the historical cost convention.

The preparation of the consolidated financial statements in compliance with IFRS requires the use of significant accounting estimates. It also requires the Management Board of the Parent Company to exercise judgement in the process of applying the accounting policies adopted by the Group. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are material from the point of view of the consolidated financial statements are disclosed in note 5.

These consolidated financial statements have been prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future.

3.2. Effect of new or amended standards and interpretations on the Group's consolidated financial statements

These consolidated financial statements have been prepared on the basis of the EU IFRS issued and effective as at the reporting date, i.e. 31 December 2023.

The EU IFRS comprise all International Accounting Standards, International Financial Reporting Standards and related Interpretations, excluding Standards and Interpretations listed below, which are awaiting approval by the European Union.

a) New standards, interpretations and amendments to existing standards effective in 2023

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

A new standard regulating the recognition, measurement, presentation and disclosure of insurance and reinsurance contracts. The standard replaces the existing IFRS 4.

The application of the standard did not have a significant impact on the Group's consolidated financial statements.

- **Amendment to IFRS 17 "Insurance Contracts"**

The Board established transitional provisions on comparative data for entities that implement IFRS 17 and IFRS 9 simultaneously to reduce potential accounting mismatches arising from differences between these standards.

This change had no impact on the Group's consolidated financial statements.

- **Amendment to IAS 1 "Presentation of financial statements"**

The IAS Council clarified which information regarding the accounting policy applied by the entity is significant and requires disclosure in the financial statements. The principles focus on tailoring disclosures to an individual's circumstances. The Council warns against using standardized provisions copied from IFRS and expects that the basis for valuation of financial instruments is important information.

The above changes did not have a significant impact on the Group's consolidated financial statements.

- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors": Definition of Accounting Estimates**

The Council introduced the definition of an accounting estimate into the standard: Accounting estimates are monetary amounts in financial statements that are subject to measurement uncertainty.

The above changes did not have a significant impact on the Group's consolidated financial statements.

- **Amendments to IAS 12 "Income Taxes": Deferred tax relating to assets and liabilities recognized as a result of a single transaction**

The Council introduced the principle that if a transaction results in both positive and negative temporary differences in the same amount, assets and provisions for deferred income tax should be recognized even if the transaction does not result from the merger or has no impact on the accounting or tax result. This means the need to recognize assets and deferred tax provisions, e.g. when temporary differences in equal amounts occur in the case of leasing (a separate temporary difference from the liability and from the right-of-use) or in the case of reclamation liabilities. The rule that deferred tax assets and liabilities are offset if current tax assets and liabilities are subject to offsetting, has not been changed.

The above changes did not affect the Group's consolidated financial statements.

- **Amendment to IAS 12 "Income Taxes"**

The change introduces a temporary exemption from recognizing deferred tax resulting from the implementation of international tax reform (Pillar II) and the obligation to introduce additional related disclosures.

The above change had no impact on the Group's consolidated financial statements.

b) New standards, interpretations and amendments, which are not yet effective and have not been applied early by the Group

Standards and Interpretations - approved by the EU, which have not yet come into force for annual periods beginning on 1 January 2023

Standards and Interpretations	Type of anticipated change in accounting policies	Possible impact on the financial statements
Amendment to IAS 1 "Presentation of financial statements" *Effective for annual periods starting on 1 January 2024*	The change clarifies that as at the balance sheet date, the entity does not take into account covenants that will have to be met in the future when considering the classification of liabilities as long or short-term. However, the entity should disclose information about these covenants in the explanatory notes to the financial statements.	The changes are not expected to have a significant impact on the Group's consolidated financial statements.
Amendment to IAS 1 "Presentation of financial statements" Effective for annual periods starting on 1 January 2024	The IAS Council clarified the rules for classifying liabilities as long or short-term primarily in two aspects: ○ it was clarified that the classification depends on the rights that the entity has as at the balance sheet date, management's intentions to accelerate or delay payment of the obligation are not taken into account.	The changes are not expected to have a significant impact on the Group's consolidated financial statements.
Amendment to IFRS 16 "Leases" Effective for annual periods starting on 1 January 2024	The amendment clarifies the requirements for the valuation of leasing liabilities arising from sale and leaseback transactions. It is intended to prevent incorrect recognition of the result on the transaction in the part relating to the retained right of use when leasing payments are variable and do not depend on the index or rate.	The changes are not expected to have a significant impact on the Group's consolidated financial statements.

Standards and Interpretations awaiting EU endorsement

Standards and Interpretations	*Type of anticipated change in accounting policies*	Possible impact on the financial statements
Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" Effective for annual periods beginning on 1 January 2024	The amendment describes the characteristics of reverse factoring agreements ("Supplier finance arrangements") and introduces the need to disclose additional information.	The changes are not expected to have a significant impact on the Group's consolidated financial statements.
Amendment to IAS 21 "The effects of changes in foreign exchange rates" Effective for annual periods beginning on 1 January 2025	The amendment clarifies how an entity should assess whether a currency is convertible and how it should determine the exchange rate if it is not convertible, and requires disclosure of information that will enable users of financial statements to understand the impact of the lack of convertibility of a currency.	The changes are not expected to have a significant impact on the Group's consolidated financial statements.

As at the date of approving of these consolidated financial statements, The Management Board has not yet completed works on the assessment of the impact of introducing the above standards and amendments to standards on the accounting principles (policy) applied by the Group in relation to the operations or financial results of group entities, however as at the date of approval of these consolidated financial statements for publication, the Management Board does not expect the introduction of other standards and amendments to standards to have a significant impact on the accounting principles (policy) applied by the Group.

3.3. Consolidation

Subsidiaries

Subsidiaries comprise all entities with respect to which the Group is authorised to govern the financial and operating policies, which generally accompanies the control of the majority of the overall voting rights in their decision-making bodies. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which the control is transferred to the Group. They are no longer consolidated once the control ceases.

Acquisition of subsidiaries by the Group is accounted for using the acquisition method.

The cost of an acquisition is measured as the fair value of the assets transferred, financial instruments issued and liabilities incurred or assumed at the date of exchange, plus liabilities resulting from a contingent consideration arrangement. Acquisition-related costs are recognised in the consolidated profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. For each acquisition, the Group recognises non-controlling interests in the acquiree at their fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets.

Any excess of the consideration transferred, the value of non-controlling interests in the acquiree and the fair value of any previously held equity interest in the acquiree as at the acquisition date over the fair value of net identifiable assets acquired is recorded as goodwill. If that amount is lower than the fair value of net assets of the acquiree, the difference is recognised directly in consolidated profit or loss.

Revenue and costs, balances and unrealised gains on transactions between the Group companies are eliminated. Where necessary, the accounting policies of subsidiaries were changed to ensure consistency with the accounting policies applied by the Group.

3.4. Segment reporting

Information on operating segments is presented on the same basis as that used for internal reporting to the Parent Company's Management Board, which is responsible for the allocation of resources and assessment of the segments' results. Amounts presented in the internal reporting process are measured using the same policies as those followed in these consolidated financial statements prepared in accordance with the EU IFRS.

3.5. Valuation of items denominated in foreign currencies

Functional currency

Items included in the financial statements of individual Group companies are measured in the currency of the primary economic environment in which a given company operates (the “functional currency”).

The consolidated financial statements are presented in the Polish zloty, which is the functional currency of the Parent Company and the presentation currency of the Group. Amounts are expressed in PLN thousand, unless specified otherwise.

Transactions and balances

Transactions expressed in foreign currencies are translated into the functional currency according to the exchange rate applicable on the transaction date. Any currency exchange gains or losses arising on settlement of such transactions or on accounting measurement of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss and presented on net basis in other operating income or expenses.

Monetary assets and liabilities expressed in foreign currencies are translated as at the reporting period end date using the average market rate effective for the given currency for that date.

Non-monetary assets and liabilities carried at historical cost in a foreign currency are translated using the average market rate effective for the transaction date. Non-monetary items of the statement of financial position expressed in foreign currencies which are carried at fair values are translated using the average market exchange rate effective for the fair value measurement date.

Translation of the Group companies' data

Financial results and items of the statement of financial position of all entities, none of which conducts operations in a hyperinflationary economy, whose functional currencies differ from the currency of presentation, are translated into the presentation currency in the following manner:

- in each presented statement of financial position, assets and liabilities are translated using the average market exchange rate quoted by the National Bank of Poland for the last day in the reporting period;
- revenue and expenses are translated using exchange rate determined as the arithmetic average of the average market exchange rates effective for the last day in each month of the financial year; and
- any currency exchange differences resulting from such translation are recognised in other comprehensive income.

Goodwill and fair value adjustments arising from the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate on the final day of the reporting period.

3.6. Property, plant and equipment

Property, plant and equipment are stated at acquisition or production cost less accumulated depreciation and potential accumulated impairment.

Acquisition cost comprises the price for which a given asset was purchased, public charges (in the case of imports) and expenditure directly attributable to the acquisition of the asset and its adaptation for its intended use, including the costs of transport, loading and unloading. Rebates, discounts as well as other similar concessions and recoveries decrease the asset acquisition cost.

Production cost of a tangible fixed asset or a tangible fixed asset under construction includes all the expenses incurred by the Group during its construction, assembly, adaptation or improvement, incurred until the date on which the asset became available for use, including any non-deductible VAT and excise duties.

Any subsequent expenditure on replacement of parts of items of property, plant and equipment is capitalised if it can be measured reliably and it is probable that the Group will derive economic benefits associated with the replaced items. Repair and maintenance costs are charged to profit or loss as incurred.

Except for land and tangible non-current assets under construction, all items of property, plant and equipment are depreciated over their estimated useful lives using the straight-line method, taking into account the residual value, if material. The following groups are depreciated using the following depreciation rates:

- Buildings and structures from 10 to 40 years;
- Plant and equipment from 2 to 10 years;
- Vehicles from 2 to 10 years;
- Other tangible fixed assets from 2 to 20 years.

Leasehold improvements (in relation to rented space) are depreciated over a period which is linked to the duration of the rental agreement.

Correctness of the applied useful lives, depreciation methods and residual values (except where insignificant) is reviewed by the Group on an annual basis. Any changes are presented as changes in accounting estimates and their effect is taken to profit or loss in the period when the estimate changes and in subsequent periods.

Significant components of property, plant and equipment are depreciated based on their estimated useful lives.

Any gains or losses on the disposal or liquidation of items of property, plant and equipment are determined as the difference between the revenue from the sale and the carrying amount of the items, and recognised in profit or loss.

Tangible fixed assets under construction are stated at cost or at the amount of the aggregate expenses directly associated with their production, less impairment. The cost of borrowings contracted to finance tangible fixed assets under construction increases their value.

3.7. Leases

a) Right-of-use assets

The Group recognizes right-of-use assets on the lease commencement date (i.e. on the day when the underlying asset is available for use). Right-of-use assets are measured at cost, less total depreciation and impairment losses, adjusted for any revaluation of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred and any lease payments paid on or before the lease start date, less any incentives received.

Unless the Group is sufficiently certain that it will obtain the ownership title to the leased asset at the end of the lease period, the recognized right-of-use assets are amortized using the straight-line method, over the shorter of the two periods: estimated useful life of the leased asset or lease period.

Right-of-use assets are subject to impairment.

Right-of-use assets are presented in the statement of financial position as a separate line item.

b) Lease liability

At the lease commencement date, the Group measures the lease liabilities at the amount of the current value of the future lease payments, remaining to be paid on that date. Lease payment include fixed fees (essentially fixed lease payments) less any lease incentives due, variable fees that depend on the index or rate, and amounts expected to be paid under the guaranteed residual value. Lease payments include also the price of the call option (if it can be assumed with sufficient certainty that the Group will exercise it) and the payment of fines for termination of the lease (if the lease provides for the option of terminating the lease by the Group). Variable lease payments that do not depend on an index or rate are recognized as costs in the period in which the event or condition giving rise to the payment occurs.

When calculating the current value of future lease payments, the Group uses the lessee's marginal interest rate determined on the day the lease starts. After the start date, the amount of the lease liability is increased to reflect interest and reduced by the lease payments made. In addition, the carrying amount of lease liabilities is remeasured in the event of a change in the lease period or a change in the principal fixed lease payments.

c) Short-term lease and lease of low-value assets

The Group applies the exemption from recognizing short-term leases to its short-term lease contracts (i.e. contracts for which lease period is 12 months or less from the commencement date and does not contain purchase option). The Group also applies an exemption regarding the recognition of leases of low-value assets in relation to its low-value leases. Lease payments for short-term leases and leases of low-value assets are recognized as costs, using the straight-line method, over the duration of the lease contract.

3.8. Intangible assets

Intangible assets are stated at acquisition or production cost less accumulated amortisation and impairment.

Any subsequent expenditure on existing intangible assets is capitalised only when it increases the future economic benefits to be generated by the asset. Other expenditures are taken to profit or loss as incurred.

The period and method of amortisation of intangible assets are reviewed at the end of each financial year. Any changes are recognised as changes in accounting estimates, and their effect is charged to profit or loss in the period in which the amortisation rates are changed and in subsequent periods.

Amortisation is calculated over the estimated useful life of intangible assets, using the straight line method. The amortisation rates applied to intangible assets are as follows:

- Trademarks 10 years;
- Licences and software from 1 to 20 years.

3.9. Goodwill

Goodwill is not amortised, but it is tested for impairment annually or more frequently if there is any indication of impairment.

As at the acquisition date, the acquired goodwill is allocated to each of the cash-generating units that will benefit from the synergies of the business combination, not larger than an operating segment. The accounting policies applicable to goodwill impairment testing are presented in note 110. Goodwill is expressed in functional currency of the cash-generating unit and is translated into the functional currency of the Parent Company according to the exchange rate effective at the reporting period end date.

3.10. Impairment of non-financial non-current assets

As at the end of each reporting period, the Group assesses whether there is any evidence that any of its non-financial non-current assets may be impaired. If the Group finds that there is such evidence, or if the Group is required to perform annual impairment tests (in the case of goodwill), the Group estimates the recoverable amount of the given asset or cash-generating unit to which the asset belongs.

The recoverable amount of an asset or cash-generating unit ("CGU") is equal to the higher of the asset's or cash-generating unit's fair value less costs to dispose or its value in use. The recoverable amount is determined for individual assets unless a given asset does not generate separate cash inflows largely independent from those generated by other assets or asset groups. If the carrying amount of an asset is higher than its recoverable amount, the asset is impaired and an impairment loss is recognised up to the established recoverable amount. The impairment loss is allocated in the following order: first, the carrying amount of goodwill is reduced, and then the carrying amounts of other assets of the cash-generating unit are reduced pro rata. Impairment losses related to assets are disclosed under the cost categories corresponding to the function of the asset with respect to which impairment has been identified.

As at the end of each reporting period, the Group assesses whether there is evidence that any impairment loss recognised in the previous periods with respect to a given asset (other than goodwill) or CGU is no longer necessary or should be reduced. If such evidence exists, the Group measures the recoverable amount of the given asset or CGU.

3.11. Borrowing costs

Borrowing costs that are directly attributable to acquisition or production of assets which take a substantial period of time to become available for their intended use, are capitalised (unless immaterial) as part of the cost of tangible non-current assets or intangible assets, as appropriate, until such assets become available for their intended use.

3.12. Financial assets

Upon initial recognition, financial assets are measured at fair value of the consideration given plus transaction costs, with the exception of financial assets at fair value through profit or loss in the case of which the transaction costs are charged to profit or loss. Purchases and sales of financial instruments are recognised as at the date of the transaction. Trade receivable without a significant financing element is initially measured at the transaction price at the date of the transaction.

Financial assets are derecognised when the rights to receive cash flows from these assets have expired or have been transferred and substantially all risks and rewards incidental to ownership of such assets have been transferred. If there has been no transfer of substantially all the risks and rewards of the asset, the asset is derecognised when the Group loses control over the asset.

The Group classifies its financial assets to the following categories:

a) measured at amortized cost;

b) measured ad fair value through profit or loss;

c) measured at fair value through other comprehensive income.

The classification depends on the Group's business model objective for its financial assets as well as the characteristics of contractual cash flow from those instruments. For financial assets, reclassification is performed, if and only if the entity's business model objective for its financial assets has changed.

a) Financial assets measured at amortized cost

Financial assets held to receive contractual cash flows, which include only repayment of principal amount and interest, are measured at amortised cost. The Group classifies trade receivables and cash and cash equivalents into this category of financial assets. Interest revenue (for receivables with a deadline for repayment of over one year) are determined using effective interest rate method and recognized as "interest income" in statement of profit or loss. Impairment losses on trade receivables are recognised in line with the accounting policy described in note 3.13 and are recognized in cost of sales.

As of 31 December 2023 and 2022 the Group did not held any assets qualified within the remaining two categories, i.e. (b) measured ad fair value through profit or loss, and (c) measured at fair value through other comprehensive income.

3.13. Impairment of financial assets

The Group performs individual and group analysis of impairment of trade receivables.

Receivables are analysed individually when there is an objective evidence of impairment that may have a negative effect on the amount of future cash flows. Significant objective conditions include, for example, taking legal action against a debtor, serious financial problems of the debtor, significant overdue payments.

In the case of short-term trade receivables analysed in groups, which do not have a significant financing element, the Group applies the simplified approach required in IFRS 9 and measures impairment losses in the amount of credit losses expected throughout the lifetime of the receivable from its initial recognition. The Group utilizes provision matrix where a fixed provision rate applies depending on the number of days that a trade receivable is outstanding.

For the purpose of estimation of the expected credit losses, trade receivables are grouped on the basis of credit risk characteristics (separate groups were determined for certain distribution channels – receivables from export customers, network customers, wholesale customers and individual customers). For each Group entity, customers credit non-performance analysis was performed for the last 3 years, to determine the general non-performance ratios. These ratios are determined for the following ranges:

- not yet due;
- past due under 30 days;
- past due from 30 to 60 days;
- past due from 60 to 90 days;
- past due over 90 days.

Historical data on receivables referred to court and written-down as well as information about share of amounts received in each time range indicated above, are used in determination of non-performance ratio for each time range. Other factors, such as insurance of receivable or expected impact of future events, are also taken into consideration.

Impairment write-down is estimated considering non-performance ratios, adjusted for expected impact of future events and based on balance of outstanding receivables as of the balance sheet date, for each of the time ranges indicated above.

3.14. Inventory

Inventory includes goods for resale and assets for expected returns.

Goods for resale are measured at the costs of acquisition not higher than net realisable value.

Net realisable value is equal to the estimated selling price of an item of inventory less any costs of completion and costs necessary to make the sale.

Inventory decrease is measured based on average prices, i.e. determined as weighted average prices of individual goods for resale.

The assets for expected returns, (i.e. value of goods which are expected to be returned by customers in accordance with the right provided to customers in the agreement or under the binding laws and regulations - please refer to revenue recognition policy in note 3.23) are estimated based on historical data, including ratio of returns from customers to revenue from sales for the period of last 3 years. Estimated value of these assets offsets the costs of goods sold.

The amount of an impairment loss is calculated based on rotation of individual items of goods for resale and it depends on the ratio of inventory level and the quantity of goods sold over the last 12 months. Items for which inventory level exceeds sales expected for the 2-years period are written off, but the impairment write-off never amounts to 100%. Inventory impairment is recognised in relation to goods which are in the permanent offer of the Group due to the need to obtain reliable historical data in terms of actual data over a longer period of time. New products are excluded from the calculation of impairment loss, due to the period required to place the new product on the market and lack of sufficient historical data for further analysis.

Impairment losses on inventory are recognised in cost of sales.

3.15. Cash and cash equivalents

Cash and cash equivalents disclosed in the statement of financial position include cash at bank and in hand as well as highly liquid current financial assets whose original maturity does not exceed three months and which are readily convertible into specific cash amounts and subject to insignificant risk of fluctuation in fair value.

3.16. Equity

Equity is disclosed in the accounting records divided into categories, in accordance with the rules set forth in applicable laws and the provisions of the Company's Articles of Association.

The particular categories of equity are:

- share capital of the Company – stated at its par value as specified in the Company's Articles of Association and entered in the court register,
- share premium is stated in the proceeds from the issue of shares in the amount exceeding the par value of shares, less transactions costs associated with the public share issue,
- reserve capital for buyback of own shares is created based on the resolution of General Shareholders' Meeting,
- foreign operations currency translation differences,
- other capitals include actuarial profits and losses arising from the actuarial valuation of provisions for pensions and related benefits,
- retained earnings – comprising profit/(loss) distributions, undistributed profit/(loss), and net profit/(loss) for the reporting period to which given financial statements relate.

Transaction cost related to the public share issue is taken to equity and reduces the share premium account as at the share issue date.

3.17. Bank loan liabilities

Bank loans are initially recognised at fair value less transaction cost. Following initial recognition, bank loans are measured at amortized cost, using the effective interest method.

3.18. Trade and other payables

Trade payables are initially recognised at fair value, and subsequently, where the discount effect is material, they are measured at amortised cost using the effective interest method.

Other liabilities include liabilities arising from returns of goods from customers (in accordance with the right provided to customers in the agreement or under the existing laws and regulations - please refer to revenue recognition policy in note 3.23). Value of these liabilities is estimated based on historical data, including ratio of returns from customers to revenue from sales for the period of last 3 years. At the same time, the Group recognizes in inventories the asset for goods which the customers are expected to return, with the offsetting entry to cost of goods sold (see note 3.14).

Based on the provisions of the European Parliament and applicable laws, e.g. on waste electrical and electronic equipment The Company, as an entity that places electrical and electronic equipment, batteries and accumulators, packaging and products, i.e. oils or tires, on the market, is subject to the extended producer responsibility system, under which the producer's responsibility for the product applies at the stage of the product's life cycle when it becomes waste. The Parent Entity is obliged to finance a system for collecting and recycling waste generated from products and packaging introduced by it. These obligations are fulfilled by concluding an agreement with Recovery Organizations. Costs arising from these contracts are recognized throughout the period and settled at the end of the financial year after receipt of the final invoice.

According to the regulations of European Parliament and other laws in force, i.e. EU Waste Electrical and Electronic Equipment Act, the Company, as entity that places electrical and electronic equipment, batteries, containers and products such as oils and tires on the market, is subject to Extended Producer Responsibility, under which it is responsible for the products at the stage when it becomes a waste. The Parent Company is obliged to finance a system for collecting and recycling waste generated from products and packaging introduced by the Company. These obligations are fulfilled by concluding an agreement with Recovery Organizations. Costs arising from these contracts are recognized throughout the period and settled at the end of the financial year after receipt of the final invoice.

3.19. Deferred revenue

Deferred income includes mainly:

- the equivalent of funds received or due from contractors for services to be performed in the next reporting periods;
- cash (including government subsidies) received to finance the purchase or production of fixed assets under construction, settled in parallel to the depreciation write-offs of fixed assets financed from these sources.

Deferred income is presented in the consolidated statement of financial position in liabilities in the line "trade and other liabilities".

3.20. Current and deferred income tax

Mandatory decreases of profit include current and deferred income tax.

- **<u>Current tax</u>**

Current tax expense is calculated based on the taxable profit for the given reporting period. Tax expense is calculated based on tax rates applicable during the fiscal year in question.

- **<u>Deferred tax</u>**

Deferred tax assets and liabilities are determined based on temporary differences between the accounting and tax values of assets and liabilities.

Deferred tax assets are recognised only if it is probable that the Group will have future taxable profits allowing for utilisation of the temporary differences and deduction of the tax losses. Deferred tax assets are determined as the amount of income tax recoverable in the future in respect of deductible temporary differences which will reduce future income tax base and any deductible tax loss, determined in accordance with the prudence principle.

The amount of deferred tax assets and liabilities is determined using income tax rates which will be effective when a deferred tax asset is utilised or a deferred tax liability arises.

Deferred tax assets and liabilities have been offset at the level of individual Group members, as at this level the criteria of IAS 12 “Income taxes” with respect to offsetting deferred tax assets against deferred tax liabilities were met.

A deferred tax liability is recognised for temporary differences associated with investments in subsidiaries and jointly-controlled entities, except where the Group controls the reversal of such temporary differences and it is probable that such differences will not reverse in the foreseeable future.

3.21. Liabilities from employee benefits

- **<u>Post-employment benefit plan – the defined contribution plan</u>**

The Parent Company participates in the state post-employment benefit plan by paying an appropriate percentage of an employee’s gross pay as a contribution to the Social Insurance Institution (ZUS). This plan is a defined contribution plan. The contributions are expensed as paid.

From 2019, the Parent Company participates also in the Employee Capital Plans program by paying the appropriate percentage of gross pay as a contribution. This program is a defined contribution program and the contributions paid are recognized as an expense when incurred.

Subsidiaries also participate in state post-employment benefit plans by paying contributions to the equivalents of ZUS in the countries where they are based (Romania, China). These plans are also defined contribution plans. The premiums paid are recognized as an expense when incurred.

- **<u>Post-employment benefit plan - the defined benefit plan (retirement severance pays) and other benefits</u>**

In accordance with the Labour Code and applicable remuneration systems and rules, employees of the Group companies are entitled to death benefits and retirement severance pays. Death benefits are one-off benefits paid to the family of an employee, following the employee's death. Retirement severance pays are one-off benefits paid when an employee retires. The plan is fully financed by the Group. The amount of a retirement severance pay or death benefit depends on the length of employment and average remuneration of a given employee. The Group accrues for future retirement severance pay and death benefit obligations in order to attribute costs to the periods to which they relate.

The present value of such obligations is determined by an independent actuary using the projected unit credit method. Accrued liabilities are equal to the discounted future payments, taking into account the employee turnover, and relate to the period until the end of the reporting period. Demographic information and information on staff turnover are based on historical information. Actuarial gains and losses are recognised in profit or loss, except for actuarial gains and losses recognised in other comprehensive income.

In countries where the subsidiaries are based, there are no requirements for the payment of retirement benefits similar to the Labour Code in Poland, and there are no internal regulations that would grant employees the right to such payments.

3.22. Provisions

Provisions are created when the Group has an obligation (legal or customarily expected) resulting from past events and when it is probable that the discharge of this obligation will result in an outflow of economic benefits, and the obligation can be measured reliably.

A provision is recognised as a reliable estimate of the amount required to settle the existing obligation, made as at the end of the reporting period taking into account the risks and uncertainties associated with the obligation.

In particular, a provision is created for the expected returns and complaints. The provision for returns is estimated based on the actual quantity of goods sold over the last 12 months period and taking into consideration the defined failure ratio and average cost of servicing customer complaints. Parameters required for calculation of this provision, for the period of previous 3 years, are updated on an annual basis.

3.23. Recognition of revenue

Revenue is recognised at fair value of consideration received or receivable, net of VAT, returns, rebates and discounts. The Group recognizes revenue from contracts with customers when all of the following five criteria are met:

- the contract has been approved (in writing, orally, or in accordance with other customary business practices) and the parties are committed to perform their obligations in the contract
- each party's rights regarding the goods or services to be transferred can be identified
- the payment terms for the goods or services to be transferred can be identified
- the contract has commercial substance (i.e. the risk, timing or amount of the vendor's future cash flows is expected to change as a result of the contract)
- it is probable that the consideration for the exchange of the goods or services that the vendor is entitled to will be collected.

In particular, revenue from sales of goods is recognized in accordance with rules described above. The sales agreement with customer contains only one performance obligation – obligation to deliver goods to customer, therefore revenue is recognized at the specified point in time. The entity recognizes revenue when the goods are transferred to the customer. The transfer of control over the asset takes place at the time specified under Incoterms or in accordance with agreements concluded with customers.

Revenue from sales of goods include transportation services, provided by external parties, costs of which are incurred by the customers, in case the Group is responsible for organizing the transportation and bears the risks during the transport.

Some contracts with customers contain elements of variable consideration, arising from rebates granted to customers, including these tied to achieving a set level of turnover. In accordance with requirements of IFRS 15, the group estimates amounts of rebates owned to customers and recognizes these rebates as an offsetting entry to revenues from sales and as a trade liability.

(amounts are expressed in PLN thousand, unless specified otherwise)

Some contracts with customers contain right to return goods. In accordance with the applicable laws and regulations, the customer has a right to withdraw from the purchase agreement within 14 days from the date of delivery of goods. This right applies to customers who purchase goods at internet store toya24.pl and other shopping portals. In addition, the Group extends the right of return of purchased goods, within limited period of time, to some of its customers. The Group estimates the potential liability arising from these rebates and if the estimated liability is material, the Group recognizes this amount as an offset to revenues from sales and as a liability due to expected returns in "trade liabilities" line (note 3.18).At the same time, the group recognizes the estimated amount of inventories to be returned by the customers and recognizes this amount as inventory and offset to costs of goods for resale sold (note 3.14).

3.24. Other operating income and expenses

Other operating income and expenses include income and expenses arising from activities that are not the Company's core operating activities, e.g. profits or losses on the sale or liquidation of tangible fixed assets, written-off receivables, penalties and fines, donations.

3.25. Financial income and expenses

Financial income and expenses are related to the financing of the Company's operations and include, in particular, interest and commissions.

3.26. Dividends

The obligation to pay dividends is recognised when the shareholders' right to receive such dividends is approved.

4. Foreign currencies used in preparation of these financial statements

Foreign currency items of the statement of financial position were translated using the following exchange rates:

Currency	31 December 2023 (*)	31 December 2022
1 EUR	4.3480	4.6899
1 USD	3.9350	4.4018
1 CNY	0.5534	0.6348

(*) in accordance with NBP table No. 251/A/NBP/2023 of 29 December 2023

The following exchange rates were used to translate items from the statements of financial position of subsidiaries from the functional currency to the presentation currency, representing the arithmetic average of the current average exchange rates announced by the National Bank of Poland on the last day of each month in the period from January to December 2023 and 2022, respectively:

Currency	31 December 2023	31 December 2022
1 RON	0.8742	0.9475
1 CNY	0.5534	0.6348

(amounts are expressed in PLN thousand, unless specified otherwise)

The following exchange rates were used to translate the financial results of subsidiaries and the statement of cash flows from the functional currency to the presentation currency, representing the arithmetic mean of the current average exchange rates announced by the National Bank of Poland on the last day of each month in the period from January to December 2023 and 2022, respectively:

Currency	12 months ended on 31 December 2023	12 months ended on 31 December 2022
1 RON	0.9145	0.9501
1 CNY	0.5902	0.6619

5. Material accounting estimates and judgements

Estimates and judgements are verified on an ongoing basis. Estimates and judgements used during the preparation of the consolidated financial statements are based on historical experience as well as analyses and expectations of future events which, to the best knowledge of the Management Board of the Parent Company, are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the actual results. The estimates and assumptions that involve a significant risk of the necessity to make a material adjustment to the carrying amounts of assets and liabilities during the current or following financial year are outlined below.

- **Revenue recognition – variable consideration and returns**

Some contracts with customers contain elements of variable consideration, arising from rebates granted to customers, including these tied to achieving a set level of turnover.

In accordance with IFRS 15, where a contract contains elements of variable consideration, the entity will estimate the amount of variable consideration to which it will be entitled under the contract in exchange for transferring promised goods or services to the customer. Variable consideration is only included in the transaction price if, and to the extent that, it is highly probable that its inclusion will not result in a significant revenue reversal in the future when the uncertainty has been subsequently resolved. The Group estimates the potential liability arising from rebates granted to customers, and if the estimated liability is material, the Group recognizes this liability as an offset to revenues from sales and as a trade liability. At the end of the financial year, the rebates were largely settled.

- **Useful lives and depreciation rates for property, plant and equipment**

The Group's Management Board determines estimated useful lives and depreciation rates for property, plant and equipment. The estimates are based on the projected useful lives for individual assets. The estimates may change materially as a result of new technological solutions emerging on the market, plans of the Parent Company's Management Board, or intensity of use. The Management Board increases or decreases a depreciation rate for a given asset if its useful life proves shorter or longer, respectively, than expected, and revalues technologically obsolete assets, and assets which are not of strategic importance and whose use has been discontinued. Property, plant and equipment value and depreciation are described in note 8.

If the actual useful lives of property, plant and equipment had been shorter by 10% than the Management Board's estimates, the depreciation of property, plant and equipment would have been higher by PLN 879 thousand as at 31 December 2023, and PLN 565 thousand as at 31 December 2022.

- **Lease period for contracts concluded for an unspecified period of time**

The Group is a party to contracts with an indefinite term. When determining the lease period, the Company determines the period of contract enforceability. Leasing ceases to be enforceable when both the lessee and the lessor have the right to terminate the contract without having to obtain permission from the other party without incurring more than insignificant penalties. The Company assesses the significance of broadly understood penalties, meaning that apart from contractual or financial matters, it also takes into account all other significant economic factors discouraging the termination of the contract (e.g. significant investments in leased asset, availability of alternative solutions, relocation costs). If neither the Company as the lessee nor the lessor incurs a significant penalty for termination (broadly understood), leasing ceases to be enforceable and its period is a termination notice period.

- **Lessee's marginal interest rate**

The Group is not able to easily determine the interest rate for some lease contracts, which is why it uses the lessee's marginal interest rate when measuring the lease liability. This is the interest rate that the Company would have to pay to borrow (for a similar period, in the same currency and with similar collateral) the funds necessary to purchase an asset with a similar value as the right-of-use asset in a similar economic environment.

- **Provisions**

As at each end of a reporting period, the Management Board of the Parent Company makes material estimates of provisions:

- provisions for guarantees and complaints – estimated level of the ratio used to perform calculations in accordance with the policy described in note 3.22; This ratio was determined on the basis of historical costs and claims and is verified on a regular basis through reference with actually incurred costs; for details on the amount of the provision, see note 22;
- other provisions resulting from claims brought against the Group – the values are determined taking into consideration the probability of having to pay the obligation and the amount of potential claim.

- **Write-downs of inventories to net realizable value**

When determining the amount of the inventory write-down, the Company analyses the rotation of goods. The estimated average period during which the product is sold, and beyond which a write-down is created in accordance with the policy described in note 3.14; for details on the amount of the write-down, see note 12.

- **Expected credit losses**

The Group utilizes provision matrix to estimate expected credit losses in relation to trade receivables. For the purpose of estimation of the expected credit losses, trade receivables are grouped on the basis of credit risk characteristics. Historical data regarding credit losses, adjusted for expected impact of future events, is used by the Group in estimation of the expected credit losses, in accordance with the policy described in note 3.13; for details on the amount of the write-down, see note 13.

In case of individual analysis, the quality of the premises on the basis of which the decision is made to write-down a given receivable is assessed. Important objective reasons for write-down include overdue payments, which, in accordance with the concluded insurance contract, make it necessary to transfer such a claim for recovery. The reason for including the client in an individual analysis may also be learning about the debtor's serious financial problems.

(amounts are expressed in PLN thousand, unless specified otherwise)

6. Financial risk management

The Group's business activities expose it to a number of various financial risks, such as market risk (including foreign exchange risk and the risk of fair value or cash flow changes as a result of interest rate movements), credit risk and liquidity risk. The Group's overall risk management programme is designed to mitigate the potential effect of risk on the Group's financial performance. The Group does not use derivatives to hedge against those risks.

The Management Board defines overall risk management rules as well as the policy for specific areas such as credit risk or investing liquidity surpluses.

6.1. Market risk

Foreign exchange risk

The Group purchases significant amounts of goods from foreign suppliers, located primarily in China, at prices denominated in foreign currencies, particularly in CNY and USD. As at 31 December 2023, trade payables in USD represented 11% of the total trade payables and trade payables in CNY represented 74% of total trade payables (as at 31 December 2022 – payables in USD represented 2% of that balance and payables in CNY represented 84% of that balance). CNY is the functional currency for subsidiaries in China.

As at 31 December 2023 and 31 December 2022, the Group has no loan liabilities denominated in foreign currencies.

As at 31 December 2023, cash in foreign currencies (USD and EUR) represented 13% of the total cash, cash in CNY represented 15% of total cash and cash in RON represented 4% of total cash (as at 31 December 2022 – cash in USD and EUR represented 37% of the total balance, cash in CNY represented 51% of the total balance and cash in RON represented 9% of the total balance).

33.5% of the Group's revenue is generated from exports (sales outside markets where the Group has its entities) and 16.4% of the Group's revenue is generated in local markets in China and Romania, at prices denominated in foreign currencies — in USD, EUR, CNY and RON. As at 31 December 2023, trade receivables in USD represented 25% of the total trade receivables (32% as at 31 December 2022) and trade receivables in EUR represented 4% of the total trade receivables (1% as at 31 December 2022). Moreover, as at 31 December 2023, 12% of trade receivables are denominated in CNY, due to sales on the local market in China (16% as at 31 December 2022) and 18% of trade receivables are denominated in RON due to sales in the local market in Romania (15% as at 31 December 2022). CNY and RON are functional currencies for subsidiaries in China and Romania.

There is a risk that future fluctuations of exchange rates may have a negative or positive effect on the Group's financial performance. Recent changes in global economy could have had and still can have negative impact on exchange rates. So far, the Group has not used derivative financial instruments to hedge against the results of future changes in exchange rates.

The sensitivity of the gross profit to an increase in exchange rates at the end of the current and previous financial year is presented below. The sensitivity is determined as a result of the conversion of the impact of the higher / lower exchange rate on the revaluation of balances of trade and other receivables and trade and other payables expressed in currencies that are not functional currencies for individual entities, with other conditions unchanged.

10% currency rate increase as of 31 December 2023	**USD**	**EUR**	**CNY**	**TOTAL**
Trade and other receivables	2,293	275	-	2,568
Trade and other payables	(1,530)	(24)	(381)	(1,935)
TOTAL impact on the 2023 result	**763**	**251**	**(381)**	**633**

(amounts are expressed in PLN thousand, unless specified otherwise)

10% currency rate increase as of 31 December 2022	USD	EUR	CNY	TOTAL
Trade and other receivables	4,585	121	476	5,182
Trade and other payables	(2,157)	1	(120)	(2,276)
TOTAL impact on the 2022 result	**2,428**	**122**	**356**	**2,906**

Risk of interest rate changes affecting cash flows and fair values

As at 31 December 2023 and 31 December 2022 the Group held cash at bank accounts with a variable interest rate (short-term bank deposits), which exposes the Group to the risk of interest rate changes affecting cash flows, however taking into consideration the amount of interest, the risk is insignificant. The group held no other interest-bearing assets.

The Group's policy envisages the use of bank loans bearing interest at variable rates. This exposes the Group to the risk of interest rate changes affecting its cash flows. As at 31 December 2023, the Group had no debt under bank loans, while as at 31 December 2022, all liabilities under bank loans were liabilities bearing interest at a variable interest rate.

The Group monitors its exposure to the risk of interest rate changes affecting its cash flows and fair values. The Group runs simulations of various scenarios, taking into consideration refinancing, roll-over of the existing positions, and alternative financing. The Group uses these scenarios to assess the impact of a change in interest rates on its financial performance. Simulations are run for bank deposits and liabilities, which represent the largest items exposed to interest rate risk.

The below sensitivity analysis of the Group's cash flows to interest rate risk was prepared for financial instruments based on variable interest rates. The bank loans held by the Group were linked to WIBOR rates. The impact of changes in market interest rates on the financial result was calculated as the product of the liability balances as at 31 December 2023 and 2022 and the assumed deviation for the base rate, which was assumed to be 50 basis points (0.5%).

	+50 basis points	-50 basis points
	Effect on profit before income tax	Effect on profit before income tax
Financial assets		
Cash in bank accounts	173	(173)
Financial liabilities		
Variable interest rate loans	(136)	136
Total for 2023	**37**	**(37)**

	+50 basis points	-50 basis points
	Effect on profit before income tax	Effect on profit before income tax
Financial assets		
Cash in bank accounts	183	(183)
Financial liabilities		
Variable interest rate loans	(663)	663
Total for 2022	**(480)**	**480**

The Group does not use derivatives to hedge against the risk of interest rate changes affecting its cash flows and fair values.

(amounts are expressed in PLN thousand, unless specified otherwise)

6.2. Credit risk

Credit risk arises from cash deposited in bank accounts as well as credit exposures to customers, which also includes unsettled trade receivables.

Credit risk relating to bank deposits is considered by the Management Board as low because the Group cooperates with renowned financial institutions which enjoy premium credit ratings (Bank Handlowy w Warszawie S.A., mBank S.A. and BNP Paribas Bank Polska S.A.) in Poland, Citi Bank, Agricultural Bank, Industrial and Commercial Bank of China and Bank of Ningbo in China and BRD Groupe Societe Generale and Banca Transilvania in Romania).

In the opinion of the Management Board, with respect to credit exposures with the Group's clients, the concentration of credit risk is not significant. The turnover is realized by two main groups of customers: retail chains and wholesale customers (including wholesalers and distributors). The Group sells its goods in Poland and to foreign markets - mainly China, the countries of Central, Southern and Eastern Europe (Romania, Hungary, the Czech Republic, Germany, the Balkan countries, Russia, Ukraine, Belarus, Moldova), as well as in Arab countries, Africa, Asia and South America.

The table below presents the Group's sales structure by customer group and market:

	2023	2022
Local markets – wholesale market (*)	49%	48%
Local markets – chains (*)	11%	10%
Export sales	33%	35%
Retail sales	7%	7%
Total	**100%**	**100%**

(*) local markets mean sales in countries where the Group has its entities, i.e. in Poland, Romania and China

In regards to retail chains channel, the Group sells its products to the largest chains in Poland and Romania. Credit exposures in this customer group are not evenly distributed as 2 key retail chains in Poland jointly account for approximately 78% of sales made through this particular channel. Credit risk exposure to retail chains is considered by the Company as low as most of them are reliable and financially transparent customers with an established market position and a sound payment history.

In the area of wholesale distribution, the Group has established cooperation with a few dozen authorised distributors, a few dozen wholesalers across the country and authorised retail stores, as well as with wholesalers in Romania and China. In 2023, 75% of sales in this group was executed to approx. 62 customers (68 customers in 2022). The Group pursues a policy of reducing credit exposures to wholesale customers with the use of a credit limit mechanism. The limits are set for each customer based on a detailed assessment of its financial performance, market position, payment discipline and the overall situation in the sector. The utilisation of credit limits is monitored on a regular basis. A transaction exceeding the credit limit may only be executed upon authorisation by authorised persons in accordance with an internal credit policy.

The Group mitigates its credit risk by having trade receivables insured in a renowned insurance company. The insurance covers mainly receivables from the customers of the Parent Company. As at 31 December 2023, 60% of the short-term trade receivables were insured (56% as at 31 December 2022). This applies to customers who have been granted an individual limit and customers covered by the so-called automatic limit, up to the amount specified in the insurance contract. Under the insurance contract, the deductible is typical for such contracts.

The Group also mitigates credit risk through the implementation in its Parent Company of an effective risk management system integrated with SAP, supporting the maintenance of proper payment discipline of the Company’s customers. It should be stressed that sales for the customers who are not in a stable and predictable financial condition is realised based on advance payments.

(amounts are expressed in PLN thousand, unless specified otherwise)

The maturity structure of receivables and details on past due receivables are presented in note 13.

The credit quality of financial assets not being either past due or impaired can be estimated by reference to external credit ratings or to historical information on the counterparty's defaults. The Parent Company's cash is held in banks with A-, BBB and BBB- ratings (EuroRating agency), and the cash of subsidiaries — in banks with Fitch BBB+ and BB+ rating (Romania) and Fitch A, BBB+ and Moody's Baa2 rating (China).

With respect to trade receivables, the Group does not have external ratings, but it monitors counterparties' payment delays ongoing basis.

The maximum credit risk exposure is approximately equal to the book value of trade receivables, net of receivables insured and cash and cash equivalents. As at 31 December 2023, the maximum credit risk exposure is PLN 95,436 thousand (31 December 2022: PLN 73,075 thousand).

6.3. Liquidity risk

The Management Board of the Parent Company believes that the Group's liquidity is secured for the foreseeable future. The Group follows a prudent liquidity risk management policy, which focuses on maintaining an adequate level of cash and securing the ability to use the credit facilities. The management monitors the level of current liabilities and current assets, as well as current cash flows of the Group. A significant increase in the value of inventories is in line with the adopted liquidity management policy and enables the continuity of sales in the event of delays in the supply chains.

Key items analysed for the purpose of monitoring of the liquidity risk are as follows:

	31 December 2023	**31 December 2021**
Current assets	445,482	486,208
Current liabilities	106,883	184,574

	2023	**2022**
Cash flow from operating activities	140,345	55,508

(amounts are expressed in PLN thousand, unless specified otherwise)

The table below presents financial liabilities of the Group by maturities, which are determined based on contractual future payment dates, uniform for each group of liabilities. The figures presented below represent undiscounted contractual cash flows.

Due date:	**up to 3 months**	**4-6 months**	**7-12 months**	**2-3 years**	**4-5 years**	**More than 5 years**	**Total**
Loans	-	-	-	-	-	-	**-**
Trade and other payables	72,514	1,708	221	-	-	-	**74,443**
Lease liabilities	2,746	1,449	5,081	19,098	5,366	6,505	**40,245**
Warranty liability	500	-	-	-	-	-	**500**
As at 31 December 2023	**75,760**	**3,157**	**5,302**	**19,098**	**5,366**	**6,505**	**115,188**
Loans	25,150	5,825	39,893	18,477	-	-	**89,345**
Trade and other payables	65,030	20	17,934	-	-	-	**82,984**
Lease liabilities	2,434	2,399	4,602	8,288	3,718	8,119	**29,560**
Warranty liability	539	-	-	-	-	-	**539**
As at 31 December 2022	**93,153**	**8,244**	**62,429**	**26,765**	**3,718**	**8,119**	**202,428**

(amounts are expressed in PLN thousand, unless specified otherwise)

6.4. Capital management

The Management Board of the Parent Company defines capital as the Group's equity. The equity held by the Parent Company meets the requirements provided for in the Polish Commercial Companies Code. There are no other capital requirements imposed by external regulations.

The Group's capital management activities are aimed at protecting the Group's ability to continue its operations so as to ensure a return on investment for the shareholders and benefits for other interested parties, as well as maintenance of the optimum capital structure to lower the cost of capital. The Group also follows a rule that non-current assets are to be fully financed by equity.

	31 December 2023	31 December 2022
Non-current assets	107,946	104,603
Equity	419,951	370,694

In accordance with the concluded loan agreements with the banks, the Parent Company is required to maintain the equity ratio (the ratio of equity to total assets) at a fixed level.

	31 December 2023	31 December 2022
Equity	419,951	370,694
Total assets	553,428	590,798
Equity ratio	**76%**	**63%**

In the period covered by these consolidated financial statements, the Group implemented the above objective.

7. Financial instruments

As at 31 December 2023	Financial assets	Financial liabilities
	Measured at amortised cost	Measured at amortised cost
Trade receivables	69,267	-
Cash	69,927	-
Trade and other payables	-	77,035
Loans	-	-
Lease liabilities	-	31,937
TOTAL	**139,194**	**108,972**

As at 31 December 2022	Financial assets	Financial liabilities
	Measured at amortised cost	Measured at amortised cost
Trade receivables	82,059	-
Cash	38,836	-
Trade and other payables	-	85,339
Loans	-	82,167
Lease liabilities	-	25,934
TOTAL	**120,895**	**193,440**

(amounts are expressed in PLN thousand, unless specified otherwise)

Revenue and expenses relating to financial assets or financial liabilities not measured at fair value through profit or loss:

12 months ended 31 December 2023	Financial assets	Financial liabilities
Interest income	537	-
Interest expenses	-	(4,297)
Profits on foreign exchange differences	3,039	7,009
Losses on foreign exchange differences	(4,584)	(2,510)
Establishment of impairment write-downs	(748)	-
Reversal of impairment write-downs	200	-
Total net profit / (loss)	**(1,556)**	**202**

12 months ended 31 December 2022	Financial assets	Financial liabilities
Interest income	276	-
Interest expenses	-	(9,572)
Profits on foreign exchange differences	5,731	6,385
Losses on foreign exchange differences	(4,474)	(7,725)
Establishment of impairment write-downs	(6)	-
Reversal of impairment write-downs	3	-
Total net profit / (loss)	**1,530**	**(10,912)**

In the Group's opinion, the fair value of financial assets and liabilities does not differ from their carrying amount, mainly due to their short maturity. In case of long-term financial liabilities measured at amortized cost, the Group uses market interest rates. Therefore the Group estimates that the carrying value of these liabilities also does not differ significantly from their fair value.

8. Property, plant and equipment

	31 December 2023	31 December 2022
Land	2,907	2,907
Buildings and structures	39,411	38,656
Plant and equipment	4,056	4,781
Vehicles	1,735	821
Other	12,734	8,705
Total	**60,843**	**55,870**
Property, plant and equipment not transferred for use	2,907	8,802
Total property, plant and equipment	**63,750**	**64,672**

Apart from the property, plant and equipment serving as security in respect of working capital facilities (note 18), there are no restrictions on the use of property, plant and equipment held by the Group.

In 2023 and 2022, the Group did not capitalise borrowing costs due to the insignificancy of these amounts.

As at 31 December 2023, the Group has no commitments to incur expenses for property, plant and equipment.

(amounts are expressed in PLN thousand, unless specified otherwise)

Changes in property, plant and equipment by type

	Land	Buildings and structures	Technical equipment and machinery	Vehicles	Other	Property, plant and equipment not transferred for use	Total
Initial value							
As at 1 January 2023	**2,907**	**45,605**	**14,635**	**2,893**	**17,396**	**8,802**	**92,238**
Purchase	-	17	259	138	2,486	8,002	**10,902**
Liquidation	-	-	(44)	(70)	(447)	-	**(561)**
Reclassification	-	3,280	788	2,548	5,480	(9,547)	**2,549**
Currency translation differences	-	(1,050)	(458)	(319)	(1,432)	(4,350)	**(7,609)**
As at 31 December 2023	**2,907**	**47,852**	**15,180**	**5,190**	**23,483**	**2,907**	**97,519**
As at 1 January 2022	**2,907**	**15,188**	**11,489**	**3,995**	**17,770**	**20,213**	**71,562**
Purchase	-	-	383	586	2,663	22,555	**26,187**
Liquidation	-	(6)	(1,471)	(1,783)	(3,272)	-	**(6,532)**
Reclassification	-	31,697	4,207	94	208	(34,013)	**2,193**
Currency translation differences	-	(1,274)	27	1	27	47	**(1,172)**
As at 31 December 2022	**2,907**	**45,605**	**14,635**	**2,893**	**17,396**	**8,802**	**92,238**
Accumulated depreciation							
As at 1 January 2023	**-**	**6,949**	**9,854**	**2,072**	**8,691**	**-**	**27,566**
Depreciation for the financial year	-	1,682	1,668	380	3,063	-	**6,793**
Liquidation	-	-	(43)	(69)	(447)	-	**(559)**
Reclassification	-	-	-	1,301	-	-	**1,301**
Currency translation differences	-	(190)	(355)	(229)	(558)	-	**(1,332)**
As at 31 December 2023	**-**	**8,441**	**11,124**	**3,455**	**10,749**	**-**	**33,769**
As at 1 January 2022	**-**	**5,958**	**7,382**	**3,349**	**9,783**	**-**	**26,472**
Depreciation for the financial year	-	1,011	1,800	287	2,148	-	**5,246**
Liquidation	-	(3)	(1,459)	(1,628)	(3,266)	-	**(6,356)**
Reclassification	-	-	2,123	49	-	-	**2,172**
Currency translation differences	-	(17)	8	15	26	-	**32**
As at 31 December 2022	**-**	**6,949**	**9,854**	**2,072**	**8,691**	**-**	**27,566**
Carrying amount							
As at 31 December 2023	**2,907**	**39,411**	**4,056**	**1,735**	**12,734**	**2,907**	**63,750**
As at 31 December 2022	**2,907**	**38,656**	**4,781**	**821**	**8,705**	**8,802**	**64,672**

(amounts are expressed in PLN thousand, unless specified otherwise)

9. Intangible assets

	31 December 2023	31 December 2022
Licences, concessions and patents, including:	3,045	3,135
– software	*3,045*	*3,135*
Other - trademarks and industrial designs	387	328
Total	**3,432**	**3,463**
Intangible assets under development	916	1,147
Total intangible assets	**4,348**	**4,610**

There are no material intangible assets produced internally by the Group.

No security interests on the intangible assets have been created.

Intangible assets under development include licences and software that is being implemented. No impairment was reported for these assets.

Changes in intangible assets

	Software	Other	Intangible assets under development	Total
Initial value				
As at 1 January 2023	**7,462**	**668**	**1,147**	**9,277**
Purchase	2	-	518	**520**
Liquidation	(22)	-	-	**(22)**
Reclassification	825	123	(749)	**199**
Currency translation differences	(214)	-	-	**(214)**
As at 31 December 2023	**8,053**	**791**	**916**	**9,760**
As at 1 January 2022	**6,753**	**572**	**488**	**7,813**
Purchase	65	-	1,207	**1,272**
Liquidation	(99)	-	-	**(99)**
Reclassification	749	96	(548)	**297**
Currency translation differences	(6)	-	-	**(6)**
As at 31 December 2022	**7,462**	**668**	**1,147**	**9,277**
Accumulated amortization				
As at 1 January 2023	4,327	340	-	**4,667**
Amortization for the financial year	816	64	-	**880**
Liquidation	(22)	-	-	**(22)**
Currency translation differences	(113)	-	-	**(113)**
As at 31 December 2023	**5,008**	**404**	**-**	**5,412**
As at 1 January 2022	3,645	269	-	**3,914**
Amortization for the financial year	780	71	-	**851**
Liquidation	(99)	-	-	**(99)**
Reclassification	-	-	-	**-**
Currency translation differences	1	-	-	**1**
As at 31 December 2022	**4,327**	**340**	**-**	**4,667**
Carrying amount				
As at 31 December 2023	**3,045**	**387**	**916**	**4,348**
As at 31 December 2022	**3,135**	**328**	**1,147**	**4,610**

(amounts are expressed in PLN thousand, unless specified otherwise)

10. Right-of-use assets

	31 December 2023	31 December 2022
Land	5,942	6,685
Buildings and structures	25,523	16,601
Plant and equipment	1,204	1,458
Vehicles	1,855	4,981
Total	**34,524**	**29,725**

	Land	Buildings and structures	Technical equipment and machinery	Vehicles	Total
Initial value					
As at 1 January 2023	**7,077**	**33,807**	**1,775**	**9,055**	**51,714**
Modification of lease contracts	-	16,310	-	-	**16,310**
Reclassification	-	-	-	(2,548)	**(2,548)**
Currency translation differences	(666)	(1,364)	-	(75)	**(2,105)**
As at 31 December 2023	**6,411**	**48,753**	**1,775**	**6,432**	**63,371**
As at 1 January 2022	**7,112**	**30,094**	**3,898**	**8,318**	**49,422**
New lease contracts	-	1,526	-	771	**2,297**
Modification of lease contracts	-	5,103	-	36	**5,139**
Termination of lease contracts	-	(3,245)	-	-	**(3,245)**
Reclassification	-	-	(2,123)	(71)	**(2,194)**
Currency translation differences	(35)	329	-	1	**295**
As at 31 December 2022	**7,077**	**33,807**	**1,775**	**9,055**	**51,714**
Accumulated depreciation					
As at 1 January 2023	**392**	**17,206**	**317**	**4,074**	**21,989**
Depreciation	121	6,465	254	1,842	**8,682**
Reclassification	-	-	-	(1,301)	**(1,301)**
Currency translation differences	(44)	(441)	-	(38)	**(523)**
As at 31 December 2023	**469**	**23,230**	**571**	**4,577**	**28,847**
As at 1 January 2022	**265**	**13,904**	**1,920**	**2,145**	**18,234**
Depreciation	133	6,412	520	1,979	**9,044**
Termination of lease contracts	-	(3,245)	-	-	**(3,245)**
Reclassification	-	-	(2,123)	(49)	**(2,172)**
Currency translation differences	(6)	135	-	(1)	**128**
As at 31 December 2022	**392**	**17,206**	**317**	**4,074**	**21,989**
Carrying amount					
As at 31 December 2023	**5,942**	**25,523**	**1,204**	**1,855**	**34,524**
As at 31 December 2022	**6,685**	**16,601**	**1,458**	**4,981**	**29,725**

(amounts are expressed in PLN thousand, unless specified otherwise)

In 2023, the Company did not conclude any new leasing agreements. The warehouse lease agreement was modified - as a result of concluding an annex, the lease period was extended and rental rates were indexed both in Poland and Romania. Right-of-use assets and leasing liabilities were therefore increased by PLN 16,310 thousand.

As a result of the purchase of forklifts and cars, after the end of the leasing period, in accordance with the conditions provided for in the agreements, the Group reclassified these assets to fixed assets. Initial value of right-of-use assets were reduced by PLN 2,548 thousand (net book value of PLN 1,247 thousand as at 31 December 2023).

Lease liabilities are presented in note 21.

11. Goodwill

Goodwill amounting to PLN 830 thousand includes only the goodwill resulting from the acquisitions of Yato Tools (Shanghai) Co. Ltd. in 2013.

	2023	2022
As at 1 January	**830**	**835**
Foreign exchange differences	(107)	(5)
As at 31 December	**723**	**830**

Impairment test for goodwill

The Management Board reviews the business performance by geographic areas (locations of subsidiaries) and distribution channels. The main geographic areas identified include Poland and European countries (except Romania), Romania (subsidiary in Romania), as well as China and non-European foreign markets (subsidiaries in China). In all these areas, the Group conducts activities in various distribution channels. Goodwill is analysed by the Management Board at the geographic areas level. The above goodwill is allocated to subsidiary Yato Tools (Shanghai) Co. Ltd.

The recoverable amount of the cash-generating unit has been determined based on value-in-use calculations for each operating segment separately. These calculations use pre-tax cash flow projections based on financial budgets covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the tool industry in which the cash-generating unit operates.

The key assumptions used for value-in-use calculations are as follows:

	31 December 2023	31 December 2022
compound annual rate of growth of sales revenue	4%	2%
rate of growth after the forecast period	3%	1,5%
weighted average cost of capital (discount rate)	4.9%	5.6%

The annual rate of growth of sales revenue was used as the key assumption. The volume of sales in each period is the main driver for revenue and costs. The compound annual rate of growth of sales revenue is based on past performance. The long term growth rates used were estimated on a very conservative level. The discount rates used are pre-tax and reflect specific risks relating to that market.

(amounts are expressed in PLN thousand, unless specified otherwise)

The recoverable amount calculated on the basis of value in use, using the above assumptions, constitutes approximately 149% of the book value for all segments (115% in 2022). The following changes in key assumptions would remove this excess in at least one segment (the impact of each assumption was estimated under the assumption that other assumptions remain unchanged):

- decrease in forecasted revenue growth rate in the next 5 years by 1.4 percentage point (2022: decrease by 1 percentage points);
- increase in the discount rate by 0.3 percentage point (2022: increase by 0.3 percentage points).

12. Inventory

	31 December 2023	31 December 2022
Goods for resale at warehouse and in transit	286,902	341,076
Asset for expected returns from customers	378	90
Total inventories (carrying amount)	**287,280**	**341,166**
Revaluation write-down for goods for resale at warehouse to net recoverable amount	6,337	4,849
Goods for resale at warehouse and in transit	**293,617**	**346,015**

The table below presents changes in revaluation write-downs to net realizable value on inventory:

	2023	2022
As at 1 January	4,849	**3,157**
Increase	1,805	1,744
Reversal/utilisation	(317)	(52)
Currency translation differences	**6,337**	**4,849**

Utilisation and reversal of inventory write-downs made in the current year as well as write-downs made in previous years were recorded in the financial result and presented as cost of goods for resale sold. Reversal of write-offs resulted from a decrease in the value of these inventories, which, in accordance with the policy adopted by the Group, should be written down.

For collaterals established on inventories, please refer to note 18.

13. Trade and other short-term receivables

	31 December 2023	31 December 2022
Trade receivables from related parties	8	2
Trade receivables from third parties	72,430	84,802
Total trade receivables	**72,438**	**84,804**
Taxes, custom duties and social security receivables	10,237	10,384
Other receivables from third parties	1,606	2,834
Advances for deliveries of goods for resale	5,120	8,524
Advances for deliveries of property, plant and equipment	-	337
Prepayments and deferred costs	1,867	1,257
Total gross receivables	**91,268**	**108,140**
Impairment write-downs of doubtful trade receivables	(3,171)	(2,745)
Impairment write-downs of other receivables	(36)	(36)
Total net receivables	**88,061**	**105,359**

(amounts are expressed in PLN thousand, unless specified otherwise)

The average repayment period of receivables is 43 days. For collaterals established on receivables, please refer to note 18.

Changes in gross trade receivables are summarized in table below.

	Receivables analysed in group	Receivables analysed individually	Total
As at 1 January 2023	**82,505**	**2,299**	**84,804**
Increase due to sales	841,962	-	841,962
Receivables written-off	21	(22)	(1)
Receivables classified individually as irrecoverable	(1,059)	1,059	-
Collected receivables	(848,468)	(57)	(848,525)
Compensated receivables	(961)	-	(961)
Other changes, including currency translation differences	(4,764)	(77)	(4,841)
As at 31 December 2023	**69,236**	**3,202**	**72,438**

The Group applies a simplified approach and measures the allowance in an amount equal to the expected credit losses throughout the life cycle using the provision matrix, described in the accounting policies descried in Note 3.13. The impact of creation and reversal of impairment write-down of trade and other receivables has been included in line "Expected credit losses". Changes in the write-downs of trade and other receivables are presented in the table below:

	2023	2022
As at 1 January	**2,745**	**2,781**
Increase	748	18
Utilisation	-	(49)
Reversal	(200)	(3)
Currency translation differences	(122)	(2)
As at 31 December	**3,171**	**2,745**

The table below presents the ageing structure of receivables, including average expected credit loss ratio for each overdue period.

31 December 2023	Total	Not overdue	0-30 days	31-60 days	61-90 days	over 90 days
Gross trade receivables	**72,438**	**59,279**	**6,870**	**1,055**	**703**	**4,531**
Group analysis						
Gross value of trade receivables analysed on grouped level	**69,236**	59,279	6,870	1,055	430	1,602
Expected credit loss ratio		0.01%-0.05%	0.1-5%	0.7%-25%	0.8%-50%	0.9%-100%
Expected credit losses (impairment loss for customers analysed at groups level)	**(295)**	(233)	(33)	(15)	(3)	(11)
Individual analysis						
Gross value of trade receivables analysed on individual level	**3,202**	-	-	-	273	2,929
Impairment loss on individual customers	**(2,876)**	-	-	-	(273)	(2,603)
Total expected credit losses	**(3,171)**	**(233)**	**(33)**	**(15)**	**(276)**	**(2,614)**
Total net trade receivables	**69,267**	**59,046**	**6,837**	**1,040**	**427**	**1,917**

(amounts are expressed in PLN thousand, unless specified otherwise)

31 December 2022	Total	Not overdue	0-30 days	31-60 days	61-90 days	over 90 days
Gross trade receivables	**84,804**	**73,071**	**5,936**	**1,246**	**1,114**	**3,437**
Group analysis						
Gross value of trade receivables analysed on grouped level	**82,505**	73,071	5,936	1,246	1,114	1,138
Expected credit loss ratio		0.01%-0.05%	0.1-5%	0.7%-25%	0.8%-50%	0.9%-100%
Expected credit losses (impairment loss for customers analysed at groups level)	**(452)**	(364)	(49)	(13)	(13)	(13)
Individual analysis						
Gross value of trade receivables analysed on individual level	**2,299**	-	-	-	-	2,299
Impairment loss on individual customers	**(2,293)**	-	-	-	-	(2,293)
Total expected credit losses	**(2,745)**	**(364)**	**(49)**	**(13)**	**(13)**	**(2,306)**
Total net trade receivables	**82,059**	**72,707**	**5,887**	**1,233**	**1,101**	**1,131**

The individual analysis is carried out in relation to customers for which indicators described in the policy in note 3.13 have been identified, i.e. most often overdue for over 90 days, which results in the customer being transferred for debt collection. The allowance for expected credit losses for this group of customers is determined taking into account the terms and conditions of insurance, provided that the customer is subject to insurance, i.e. the allowance includes the own contribution in accordance with the concluded agreement. In relation to receivables analysed individually, the part not covered by the write-down relates to the insured receivables.

In relation to the remaining customers, analysed in groups with the use of the provisions matrix, expected credit loss ratios are determined separately for insured receivables (lower range limits shown in the table above) and uninsured receivables (main range limits). Expected credit loss ratios are determined separately for each company in the Group.

14. Cash and cash equivalents

	31 December 2023	31 December 2022
Cash in hand and at bank	69,927	38,836
Total cash and cash equivalents	**69,927**	**38,836**

Apart from cash disclosed in the statement on financial position, the Parent Company has a separate bank account for the funds of the Company Social Benefits Fund (ZFŚS) which are presented under other receivables in their net amount together with liabilities towards the ZFŚS and receivables under loans granted. As at 31 December 2023, these funds amounted to PLN 74 thousand and as at 31 December 2022 - PLN 1 thousand. The Company may use these funds only in the manner provided for by the law with regard to the ZFŚS funds.

As a result of implementation of VAT split payment mechanism, the Parent Company has dedicated VAT bank accounts, where VAT amounts from invoices settled by the vendors of TOYA S.A. will be transferred. Funds collected in these VAT accounts may only be used for VAT settlements concerning invoices received and settlements of tax liabilities. As at 31 December 2023, the cash balance in these VAT accounts totalled PLN 265 thousand (31 December 2022: PLN 1,141 thousand). In line with the Management Board's judgment, restrictions on the disposition of these funds resulting from tax regulations do not affect their classification as cash and cash equivalents, as the Company uses them on an ongoing basis to settle short-term tax liabilities.

Apart from the ZFŚS funds, as at 31 December 2023 and 31 December 2022, the Group did not have any cash of limited disposability.

(amounts are expressed in PLN thousand, unless specified otherwise)

15. Additional explanation to the cash flow statement

Reconciliation of changes in balance sheet items as shown in the consolidated statements of financial position and in the consolidated statements of cash flows:

		Adjustments			
12 month period ended 31 December 2023	**Balance sheet change**	**Impact of currency translation of foreign subsidiaries**	**Impact of advances paid on fixed assets**	**Actuarial gains/losses recognised in comprehensive income**	**Change in statement of cash flows**
Change in trade and other receivables	17,302	(10,674)	(337)	-	6,291
Change in inventories	53,886	(11,146)	-	-	42,740
Change in provisions	(135)	57	-	-	(78)
Change in trade and other payables	(12,198)	12,448	-	-	250
Change in employee benefit liabilities	610	563	-	(38)	1,135
Change in cash	31,091	3,653	-	-	34,744

		Adjustments			
12 month period ended 31 December 2022	**Balance sheet change**	**Impact of currency translation of foreign subsidiaries**	**Impact of advances paid on fixed assets**	**Actuarial gains/losses recognised in comprehensive income**	**Change in statement of cash flows**
Change in trade and other receivables	3,349	(2,931)	(5,718)	-	(5,300)
Change in inventories	28,090	300	-	-	28,390
Change in provisions	117	(7)	-	-	110
Change in trade and other payables	(60,449)	2,297	-	-	(58,152)
Change in employee benefit liabilities	1,671	85	-	168	1,924
Change in cash	(19)	1,061	-	-	1,042

(amounts are expressed in PLN thousand, unless specified otherwise)

16. Share capital

As at 31 December 2023, the share capital amounts to PLN 7,504,222.60 and comprises 75,042,226 shares with a par value of PLN 0.1 each.

All of the shares are paid up. The ownership structure and the percentage of the Company's shares held as at 31 December 2023, based on the information provided to the Company by the shareholders, are presented in the table below.

Name	Status	Number of shares	Type of shares	Par value per share (PLN)	Par value of the shares (PLN)	Structure (%)
Jan Szmidt	natural person	28,284,304	ordinary bearer	0.1	2,828,430.40	37.69%
Romuald Szałagan	natural person	9,652,290	ordinary bearer	0.1	965,229.00	12.86%
Generali OFE	legal person	5,001,147	ordinary bearer	0.1	500,114.70	6.66%
Others - share below 5%	not applicable	32,104,485	ordinary bearer	0.1	3,210,448.50	42.79%
TOTAL		**75,042,226**			**7,504,222.60**	**100.00%**

17. Retained earnings and dividend per share

On 29 June 2023, the General Meeting of Shareholders of Toya S.A. approved the financial statements of TOYA S.A. for 2022 and decided to transfer the profit for 2022 in the amount of PLN 46,068 thousand to supplementary capital.

In line with the provisions of the Commercial Companies Code, retained earnings are used to create statutory reserve funds, to which at least 8% of the profit generated in a given financial year is transferred until the statutory reserve funds reach at least one-third of the share capital, i.e. in the case of the Parent Company – PLN 2,501 thousand as at 31 December 2023. These statutory reserve funds are exempt from distribution among shareholders and may only be used to cover losses. As at 31 December 2023 and 31 December 2022, the supplementary capital was created in the required amount.

The retained earnings as at 31 December 2023 represent result for the current year, supplementary capital created from the Parent Company's profits from previous years, accumulated profits of other companies from previous years and the result on the buyout of the minority shareholder in the amount of PLN 6,270 thousand.

In 2023 and 2022, the Parent Company did not pay any dividend.

The Company's Management Board did not present a proposal for the division of the financial result for 2023.

(amounts are expressed in PLN thousand, unless specified otherwise)

18. Loans and borrowings liabilities

	31 December 2023	31 December 2022
Bank loan liabilities, including	**-**	**82,167**
– long-term	-	17,143
– short-term	-	65,024

The table shows the reconciliation of changes in debt due to bank loans:

	Revolving bank loans	Non-revolving bank loans	Bank loans TOTAL
As at 1 January 2022	**73,455**	**23,498**	**96,953**
Increase in loans	-	16,554	16,554
Interest for the period (note 28)	6,150	2,004	8,154
Interest repaid	(6,001)	(1,818)	(7,819)
Loan repaid	(31,675)		(31,675)
As at 31 December 2022	**41,929**	**40,238**	**82,167**
Increase in loans	-	-	-
Interest for the period (note 28)	1,145	1,659	2,804
Interest repaid	(1,352)	(1,897)	(3,249)
Loan repaid	(41,722)	(40,000)	(81,722)
As at 31 December 2023	**-**	**-**	**-**
- long-term	-	-	-
- short-term	-	-	-

(amounts are expressed in PLN thousand, unless specified otherwise)

Description of loan agreements:

Object and value of agreement	Name of the Bank / covering bonds / granting loans	Loan amount as per agreement as at 31 December 2023	Amount outstanding as at 31 December 2023	Amount outstanding as at 31 December 2022 (*)	Current interest rate	Date of expiry
1. Overdraft facility agreement No BDK/KR-RB/000054601/0641/10 of 22 December 2010	Bank Handlowy w Warszawie S.A.	70,000	-	21,159	WIBOR 1 M + bank's margin	13 December 2024
2. Overdraft credit facility agreement No 09/030/19/Z/VV	mBank S.A. with its registered office in Warsaw	60,000	-	18,991	WIBOR ON + bank's margin	29 March 2024
3. Overdraft credit facility agreement No WAR/8833/20/326/CB	BNP Paribas Bank Polska S.A. with its registered office in Warsaw	25,000	-	1,779	WIBOR 1 M + bank's margin	15 November 2024
4. Non-revolving loan agreement no WAR/8833/20/327/CB	BNP Paribas Bank Polska S.A. with its registered office in Warsaw	-	-	40,238(**)	WIBOR 1 M + bank's margin	19 September 2023
Total liabilities, of which:		**155,000**	**-**	**82,167**		
– short-term portion		155,000	-	65,024		
– long-term portion		-	-	17,143		

(*) the amount used is presented together with interest due and not repaid as at 31 December 2022

(**) including PLN 40,000 thousand of the loan used and PLN 238 thousand of accrued and unpaid interest as at 31 December 2022

During the year ended on 31 December 2023, there were no significant changes to the contractual terms of the loans or expected cash flows.

The bank margins relating to the loans listed above do not exceed 1%.

The value of mortgage collaterals was determined as a sum of collaterals established for individual banks, in the amounts required by the banks (in the amount resulting from the agreement). The book value of mortgaged assets was PLN 10,122 thousand as at 31 December 2023 (PLN 10,359 thousand as at 31 December 2022). The value of the assignment of receivables in the amount of PLN 9,376 thousand (PLN 46,111 thousand as at 31 December 2022) has been determined at the carrying amounts of the assets provided as security. The value of the security in the form of transfer of ownership of inventory together with the assignment of rights from the insurance policy was set at the maximum amount resulting from the contracts and amounts to PLN 50,000 thousand as at 31 December 2023.

The securities apply throughout the term of loan agreements. The Company has limited abilities to dispose of the mortgaged assets. In the case of assignments of trade receivables, the Company is obliged to refrain from any legal or actual actions resulting in restrictions on the Company’s ability to dispose of these receivables. In addition, the Company agreed that throughout the loan period, without the bank's prior consent, it would not grant loans or guarantees to other entities.

Effective interest rate for loans

The effective interest rates are close to the nominal interest rates calculated in line with the terms of the agreements described above. As at 31 December 2023, the weighted average cost of loans (excluding commission) was 7.24 % (as at 31 December 2022 – 8.99%).

Fulfilment of contractual provisions

As at 31 December 2023, the Group did not default on its debt repayment obligations or on any other of its obligations under loan agreements in a manner which would result in an acceleration of debt repayment.

Loan agreements provide that throughout the entire loan period, the borrower undertakes to maintain the capitalization ratio and debt ratio at the agreed level and to maintain inflows to bank accounts in the agreed amount, in accordance with the terms of the loan agreements.

The Group has good relationships with banks, and in its activity to date it had no problems with renewal of bank loans. Based on this, the Management Board believes that the risk resulting from short-term financing is not significant.

(amounts are expressed in PLN thousand, unless specified otherwise)

19. Trade and other payables

	31 December 2023	31 December 2022
Trade payables to related parties	-	-
Trade payables to third parties	73,186	82,153
Total trade payables	**73,186**	**82,153**
Tax liabilities	6,386	10,280
Liability due to expected goods returns	589	146
Prepayments received	1,383	1,878
Other payables to third parties	669	451
Deferred income - subsidies received	1,209	711
Total other current payables	**10,236**	**13,466**
Total	**83,422**	**95,619**

Advances received represent contractual obligations in accordance with IFRS 15.

An average payables payment period is 41 days.

During the year ended 31 December 2023, the Group recognized revenues in the amount of PLN 1,878 thousand, which were classified as prepayments at the beginning of the period.

20. Liabilities from employee benefits

	31 December 2023	31 December 2022
Provisions for retirement benefits, disability pensions and for death benefits	678	566
Liabilities from employee benefits – non-current portion	**678**	**566**
Provisions for retirement benefits, disability pensions and for death benefits	53	69
Payroll liabilities	10,258	9,876
Unused holidays	1,993	1,861
Liabilities from employee benefits – current portion	**12,304**	**11,806**

The Parent Company pays retirement benefits, disability pensions and death benefits in accordance with the Labour Code, in the amount of a one month's remuneration. The amount of provision for retirement benefits, disability pensions and death benefits as at 31 December 2023 and 31 December 2022 was estimated by an actuary. The basic assumptions were as follows:

Assumptions	**31 December 2023**	**31 December 2022**
Discount rate (risk-free rate)	5.07%	6.73%
Growth rate of remunerations		
- in the first year	9.00%	9.00%
- in the second year	7.00%	7.00%
- in the third year	5.00%	5.00%
- in the subsequent years	3.50%	3.50%

(amounts are expressed in PLN thousand, unless specified otherwise)

Assumptions concerning future mortality are determined based on statistics published by the Central Statistical Office (GUS).

The statement of actuarial gains and losses is presented below.

	31 December 2023	31 December 2022
Current value of liability as at 1 January	**635**	**724**
Current service cost	56	69
Net interest on net liability	40	28
Actuarial gains or losses, including resulting from:	38	(168)
changes in demographic assumptions	*(23)*	*18*
changes in financial assumptions	*144*	*(169)*
ex post adjustments of actuarial assumptions	*(83)*	*(17)*
Benefits paid	(38)	(18)
Current value of liability as at 31 December	**731**	**635**

Total expenses recognised in profit or loss in respect of future employee benefits amounted to PLN 96 thousand in 2023 and PLN 97 thousand in 2022 and were recognised in administrative expenses. Actuarial losses incurred in 2023 amounted to PLN 38 thousand (in 2022: gains amounted to PLN 168 thousand) and were recognised in other comprehensive income.

Sensitivity analyses of liability under defined benefits (retirement benefits, disability pensions and death benefits) to changes in main weighted estimates as at 31 December 2023 are as follows:

Assumption	Changes in the assumption	Increase in the assumption	Decrease in the assumption
Technical discount rate	1%	(38)	41
Salaries growth rate in the Company	1%	86	(74)
Turnover ratio	1%	(31)	34

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the statement of financial position.

The methods and types of assumptions used for preparing the sensitivity analysis did not change compared to the previous period.

The table below contains the profile of the forecast cash flows in the coming years, by relevant benefits. These values take into account the nominal amounts paid out and their probability.

Name of benefit	1st year	2nd year	3rd year	4th year	5th year	6th year (and further)
Retirement benefit	42	13	9	59	23	2,618
Disability pension	2	2	2	2	2	32
Death benefit	11	12	14	14	16	557
Total	**55**	**27**	**25**	**75**	**41**	**3,207**

(amounts are expressed in PLN thousand, unless specified otherwise)

21. Lease liabilities

The Group has the right of perpetual usufruct of land and uses warehouses, offices, servers, passenger cars and forklifts on the basis of rental and leasing contracts. The change in liabilities resulting from these contracts, taking into account the impact of adoption of IFRS 16, is presented below.

	2023	2022
Lease liability as at January 1	**25,934**	**27,584**
New lease contracts	-	2,297
Modification of the terms of the contract	16,310	5,138
Accrued interest	1,491	1,419
Lease payments (*)	(10,249)	(10,959)
Valuation of contracts in foreign currencies and currency translation differences	(1,549)	455
Lease liability as at December 31	**31,937**	**25,934**

(*) lease payments include net amounts paid, according to invoices, including both capital instalments and interest.

In 2023, the Group modified lease agreements, described in note 0.

Undiscounted future cash flows are presented below.

	31 December 2023	31 December 2022
up to 1 year	9,131	9,435
1–3 years	19,243	8,287
3–5 years	5,366	3,718
more than 5 years	6,505	8,120
Total	**40,245**	**29,560**

The costs recognized in the result for the period in relation to concluded lease agreements are presented below.

	2023	2022
Amortization and depreciation	8,682	9,044
Interest	1,632	1,419
Exchange rate differences	(575)	64
Total	**9,739**	**10,527**

During the year ended 31 December 2023, the Group incurred costs in connection with the short-term lease agreements in the amount of PLN 14 thousand and low-value lease agreements in the amount of PLN 30 thousand. Total cash outflow from leases in 2023 amounted to PLN 10,154 thousand, excluding VAT (of which PLN 10,110 thousand relates to lease agreements recognized as right-of-use assets and PLN 44 thousand to short-term lease agreements).

Information on leased assets is presented in note 0.

The maturity analysis of lease liabilities is presented in note 6.3.

(amounts are expressed in PLN thousand, unless specified otherwise)

22. Provisions

	2023	2022
As at 1 January	**1,728**	**1,611**
Provision created	1,196	1,737
Provision utilised	(1,268)	(1,626)
Currency translation differences	(63)	6
As at 31 December	**1,593**	**1,728**
including short-term	1,593	1,728

The provision for guarantee repairs is created in accordance with the policy described in note 3.22. The obligation of the Company to incur the costs of guarantee repairs results from general provisions on surety and guarantee granted to certain product groups. It is to be used within less than 12 months, and the amount is estimated based on historical costs of guarantee repairs borne; thus, the uncertainty towards its value should not have a material impact on the Company's future results. Provisions are recognised in the financial result under "costs of goods and materials sold".

23. Operating segments

Identification of operating and reporting segments

The Management Board of the Parent Company makes decisions related to the Company's operations from the perspective of distribution channels and geographical coverage.

The Group specifies four operating and reporting segments for its activities:

- sales on local markets (Poland, Romania) to retail networks;
- sales on local markets (Poland, Romania and China) – wholesale market;
- export sales;
- retail sales.

As part of the retail networks segment, the Group cooperates with large retail networks throughout Poland and Romania. Wholesale on all markets where the Group holds its entities is conducted through a network of wholesalers and stores. Foreign markets are supported using sales department of the Parent Company and subsidiaries Yato Tools (Shanghai) Co. Ltd. and Yato Tools (Jiaxing) Co. Ltd. As part of retail sales, sales are mainly realized through an online store and popular online platforms.

Data analysed by the Management Board of the Parent Company for segment description is consistent with the data disclosed in the statement of comprehensive income.

The Group did not record revenue from sale to a single external customer exceeding 10% of total sales revenue.

As at 31 December 2023, the Group's assets amounted to PLN 553,428 thousand, and the Group's liabilities amounted to PLN 133,477 thousand and were related only to trading activities. The Management Board of the Parent Company does not examine the assets of the Group for each segment separately.

The Parent Company has no non-current assets located abroad. Non-current assets of the subsidiaries are located outside of Poland. The net value of property, plant and equipment located in Romania as at 31 December 2023 is PLN 4,098 thousand and located in China is PLN 41,350 thousand (as at 31 December 2022: Romania – PLN 4,525 thousand, China – PLN 42,422 thousand).

(amounts are expressed in PLN thousand, unless specified otherwise)

12 months ended 31 December 2023	*EXPORT SALES*	*WHOLESALE MARKET*	*RETAIL NETWORKS*	*RETAIL SALES*	*TOTAL*
Sales revenue					
Sales to external customers by geographical area:					
Poland	-	253,196	65,208	48,538	366,942
Romania	-	75,296	10,521	915	86,732
China	-	30,414	-	2,933	33,347
Other countries	245,375	-	-	-	245,375
Total segment revenue	**245,375**	**358,906**	**75,729**	**52,386**	**732,396**
Cost of goods sold					
Sales to external customers	(173,198)	(233,374)	(54,163)	(27,610)	(488,345)
Total costs of goods sold	**(173,198)**	**(233,374)**	**(54,163)**	**(27,610)**	**(488,345)**
Gross profit	**72,177**	**125,532**	**21,566**	**24,776**	**244,051**
Gross profit margin	**29%**	**35%**	**28%**	**47%**	**33%**

12 months ended 31 December 2022	*EXPORT SALES*	*WHOLESALE MARKET*	*RETAIL NETWORKS*	*RETAIL SALES*	*TOTAL*
Sales revenue					
Sales to external customers by geographical area:					
Poland	-	259,657	69,098	46,949	375,704
Romania	-	79,825	7,255	832	87,912
China	-	29,506	-	3,101	32,607
Other countries	266,367	-	-	-	266,367
Total segment revenue	**266,367**	**368,988**	**76,353**	**50,882**	**762,590**
Cost of goods sold					
Sales to external customers	(182,772)	(256,062)	(53,536)	(27,555)	(519,925)
Total costs of goods sold	**(182,772)**	**(256,062)**	**(53,536)**	**(27,555)**	**(519,925)**
Gross profit	**83,595**	**112,915**	**22,818**	**23,338**	**242,665**
Gross profit margin	**31%**	**31%**	**30%**	**46%**	**32%**

(amounts are expressed in PLN thousand, unless specified otherwise)

24. Sales revenue

	12 months ended 31 December 2023	12 months ended 31 December 2022
Sales revenue		
Sales of goods for resale	732,396	762,590
Total sales revenue	**732,396**	**762,590**

The geographical structure of revenues from sales has been presented below. Moreover, in the report on the Group's activities, the Group also presented information by brand.

	12 months ended 31 December 2023		12 months ended 31 December 2022	
	Sales revenue	Share	Sales revenue	Share
Europe, incl.:	**183,765**	**25.1%**	**180,661**	**23.7%**
Ukraine	*43,081*	*5.9%*	*36,499*	*4.8%*
Baltic countries	*20,090*	*2.7%*	*22,399*	*2.9%*
Hungary	*23,905*	*3.3%*	*21,096*	*2.8%*
Belarus	*23,224*	*3.2%*	*20,449*	*2.7%*
Russia	*13,968*	*1.9%*	*13,162*	*1.7%*
Moldova	*8,708*	*1.2%*	*11,825*	*1.6%*
Czech Republic	*11,786*	*1.6%*	*11,193*	*1.5%*
Bulgaria	*10,057*	*1.4%*	*9,832*	*1.3%*
Greece	*6,969*	*1.0%*	*7,016*	*0.9%*
Germany	*4,792*	*0.7%*	*6,641*	*0.9%*
Asia, incl.:	**29,503**	**4.0%**	**35,883**	**4.7%**
Armenia	*5,047*	*0.7%*	*2,430*	*0.3%*
South America, incl.:	**9,702**	**1.3%**	**18,292**	**2.4%**
Chile	*6,754*	*0.9%*	*16,067*	*2.1%*
Central America	**4,846**	**0.7%**	**8,178**	**1.1%**
Africa	**17,122**	**2.3%**	**22,883**	**3.0%**
Australia and Oceania	**437**	**0.1%**	**470**	**0.1%**
Total export	**245,375**	**33.5%**	**266,367**	**34.9%**
Poland	366,942	50.1%	375,704	49.3%
Romania	86,732	11.8%	87,912	11.5%
China	33,347	4.6%	32,607	4.3%
Total sales revenue	**732,396**	**100.0%**	**762,590**	**100.0%**

The Group has been present on the markets of Eastern Europe for a long time. Despite its long presence on these markets, the Group did not have any assets there, and transactions with local customers were of a short-term nature. The Russian-Ukrainian conflict that started with hostilities on 24 February 2022 disrupted trade relations in these markets, resulting in a temporary freezing of relations with some clients or suspension of cooperation. It should be emphasized that the Group complied with all sanctions imposed by the Polish government, European Union structures, governments of other countries and international institutions on entities, persons and goods indicated in the relevant legal acts. TOYA S.A. has implemented appropriate procedures in this regard. However, the implemented procedures and the need to verify and comply with all economic sanctions resulted in a slowdown in trade with customers from these markets, which is, however, beyond the Group’s control. This may impact trade with customers present in these markets in future quarters.

(amounts are expressed in PLN thousand, unless specified otherwise)

25. Costs by type and cost of goods for resale sold

	12 months ended 31 December 2023	12 months ended 31 December 2022
Amortisation and depreciation	16,355	15,141
Material and energy consumption	8,341	8,411
Third-party services:	38,893	43,050
costs of transportation	*14,226*	*14,236*
warehouse services (costs of servicing of external warehouses)	*201*	*3,602*
space rental costs not included in the lease liabilities and service charges for lease agreements	*2,477*	*2,754*
IT and telecommunications costs	*3,320*	*2,733*
costs of accessing online sales platforms	*6,849*	*6,882*
legal, audit and consulting costs	*3,827*	*5,247*
other external services	*7,993*	*7,596*
Taxes and fees	2,817	1,915
Costs of employee benefits	75,895	71,089
Other costs by type	14,947	9,816
Value of goods for resale and materials sold	488,345	519,925
Total costs by type and value of goods for resale sold	**645,593**	**669,347**
Selling costs, including:	114,314	108,904
amortisation and depreciation	*11,404*	*10,877*
costs of employee benefits	*51,332*	*47,435*
Administrative expenses, including:	42,934	40,518
amortisation and depreciation	*4,951*	*4,264*
costs of employee benefits	*24,563*	*23,654*
Cost of goods for resale sold	488,345	519,925
Total	**645,593**	**669,347**

The Group does not conduct important R&D activities.

26. Cost of employee benefits

	12 months ended 31 December 2023	12 months ended 31 December 2022
Salaries for employment contracts and appointment contracts	60,581	55,963
Wages of temporary workers	1,946	2,705
Cost of social insurance	10,308	9,433
Cost of provision for unused leaves	143	199
Cost of provision for retirement benefits	58	79
Pension benefits paid	38	18
Cost of other employee benefits	2,821	2,692
Total cost of employee benefits	**75,895**	**71,089**

Below is the average annual number of employees in terms of one FTE:

	12 months ended 31 December 2023	12 months ended 31 December 2022
Total employees – the average number of employees per year per FTE	530	531
Total employees – at the end of the period	550	548

(amounts are expressed in PLN thousand, unless specified otherwise)

27. Other operating revenue and expenses

OTHER OPERATING REVENUE	12 months ended 31 December 2023	12 months ended 31 December 2022
Gain on sale of property, plant and equipment	27	564
Surplus of FX gains over FX losses on operating activities	2,954	2,967
Revenue from other sales	14	430
Transport claims compensation (net)	15	15
Donations received	248	671
Other operating revenue	172	225
Total other operating revenue	**3,430**	**4,872**

OTHER OPERATING EXPENSES	12 months ended 31 December 2023	12 months ended 31 December 2022
Cost of other sales	179	281
Penalties and fines paid	631	1
Court and debt recovery fees	3	38
Donations given	5	55
Other	102	81
Total other operating expenses	**920**	**456**

28. Financial revenue and expenses

FINANCIAL REVENUE	12 months ended 31 December 2023	12 months ended 31 December 2022
Interest on cash in bank accounts	538	276
Other financial revenue	5	3
Total financial revenue	**543**	**279**

FINANCIAL EXPENSES	12 months ended 31 December 2023	12 months ended 31 December 2022
Interest and commissions on loans	2,805	8,154
Interest on lease liabilities	1,491	1,420
Total financial expenses	**4,296**	**9,574**

(amounts are expressed in PLN thousand, unless specified otherwise)

29. Income tax

The reporting periods presented in these financial statements cover the following tax periods:

- from 1 January 2023 to 31 December 2023,
- from 1 January 2022 to 31 December 2022.

	12 months ended 31 December 2023	12 months ended 31 December 2022
Current tax	16,699	18,136
Deferred tax	(5)	(7)
Total income tax	**16,694**	**18,129**

In all the years presented, the applicable corporate income tax rate was 19% in the Parent Company, 16% in the Romanian subsidiary and 25% in subsidiaries in China.

Reconciliation of the theoretical tax on the pre-tax profit and the statutory tax rate with the income tax expense recognised in profit or loss is presented in the table below:

	12 months ended 31 December 2023	12 months ended 31 December 2022
Profit before tax	85,012	88,349
Tax rate applicable in the period	19%	19%
Tax calculated at the applicable tax rate	**16,152**	**16,786**
Tax effect of the following items:		
- permanent tax differences – revenues	375	424
- temporary tax differences for which no asset was created	104	16
- adjustment of tax from previous years	(1)	(10)
Tax credits	(234)	(209)
Difference between tax rates applicable in other countries	298	1,122
Income tax recognised in profit or loss	**16,694**	**18,129**

The provisions on VAT, CIT, PIT or social security contributions frequently change, often resulting in the absence of any established regulations or legal precedents for reference. The regulations in effect tend to be unclear, thus leading to differences in opinions as to legal interpretation of fiscal regulations, both between state authorities themselves and between state authorities and entrepreneurs.

Tax declarations and other settlements (e.g. customs or foreign exchange) can be audited by authorities which are authorised to impose high fines, and the additional liabilities arising from such audits have to be paid including high interest. In the light of the above, the tax risk in Poland is higher than usual tax risk in countries with better-developed tax systems.

Therefore, the amounts disclosed in the financial statements may change at a later date, following final determination of their amount by the competent tax authorities.

Effective 15 July 2016, the Polish Tax Code was amended for the General Anti-Abuse Rule (GAAR) provisions. GAAR is intended to prevent the creation and use of artificial legal arrangements to avoid payment of tax in Poland and defines tax avoidance as an act carried out primarily in order to achieve a tax benefit, contrary in the circumstances to the object and goal of a provision of a tax act, which shall not result in a tax benefit, if the mode of action was not genuine. All unjustified (i) split of operations, (ii) involvement of intermediary entities without any economic or business justification, (iii) elements that compensate or exclude each other and (iv) other actions with a similar effect to the previously mentioned, may be considered as prerequisites of artificial activities subject to GAAR. The new regulation will require significantly more judgement in assessment of the tax consequences of particular transactions.

The GAAR clause is effective with respect to transactions performed following its entry into force as well as transactions that were carried out before, but the benefits were / are being achieved after the date of its entry into force. Implementation of the above provisions will enable the Polish tax authorities to challenge legal arrangements by the taxpayers such as group's restructurings and reorganizations.

(amounts are expressed in PLN thousand, unless specified otherwise)

The Group recognizes current and deferred income tax assets and liabilities using IAS 12 Income tax based on profit (tax loss), tax base, unsettled tax losses, unused tax exemptions and tax rates, taking into account assessment of uncertainties related to tax settlements.

If there is uncertainty over where or not and in what scope the tax authority will accept tax accounting for transactions, the Company recognizes these settlements taking into account an uncertainty assessment.

Deferred income tax

As at 31 December 2023	Assets	Liabilities	Net	As at 1 January 2023 Net	Recognised in profit or loss/equity
Non-current assets					
Difference between tax and accounting depreciation rates of property, plant and equipment and intangible assets	-	1,019	(1,019)	(786)	(233)
Right-of-use assets	-	5,516	(5,516)	(4,474)	(1,042)
Current assets					
Write-down of inventories and unrealized margin	3,057	-	3,057	3,086	(29)
Asset for expected returns	-	72	(72)	(17)	(55)
Write-down of receivable	374	-	374	402	(28)
Balance-sheet valuation of receivables denominated in foreign currencies and other adjustments	6	742	(736)	(638)	(98)
Balance-sheet valuation of cash in foreign currency	1	-	1	-	1
Long-term liabilities					
Liabilities from finance leases	4,570	-	4,570	3,061	1,509
Provision for retirement benefits	129	-	129	108	21
Financial guarantees granted	5	-	5	6	(1)
Short-term liabilities					
Provisions for liabilities	490	24	466	161	305
Provisions for unused vacation and bonuses	1,468	-	1,468	1,344	124
Accrued interest	-	-	-	85	(85)
Liabilities from finance leases	1,194	-	1,194	1,565	(371)
Provisions for guarantee repairs	230	-	230	252	(22)
Total assets and liabilities	**11,524**	**7,373**	**4,151**	**4,155**	**(4)**
Total deferred income tax, of which	**11,524**	**7,373**	**4,151**	**4,155**	**(4)**
– recognised in profit or loss					5
– recognised in equity (*)					(9)

(amounts are expressed in PLN thousand, unless specified otherwise)

As at 31 December 2022	Assets	Liabilities	Net	As at 1 January 2022 Net	Recognised in profit or loss/equity
Non-current assets					
Difference between tax and accounting depreciation rates of property, plant and equipment and intangible assets	-	786	(786)	(727)	(59)
Right-of-use assets	-	4,474	(4,474)	(4,677)	203
Current assets					
Write-down of inventories and unrealized margin	3,086	-	3,086	2,638	448
Asset for expected returns	-	17	(17)	(102)	85
Write-down of receivable	402	-	402	410	(8)
Balance-sheet valuation of receivables denominated in foreign currencies and other adjustments	225	863	(638)	(469)	(169)
Long-term liabilities					
Liabilities from finance leases	3,061	-	3,061	3,146	(85)
Provision for retirement benefits	108	-	108	129	(21)
Financial guarantees granted	6	-	6	7	(1)
Short-term liabilities					
Provisions for liabilities	167	6	161	404	(243)
Provisions for unused vacation and bonuses	1,344	-	1,344	1,387	(43)
Accrued interest	85	-	85	21	64
Liabilities from finance leases	1,565	-	1,565	1,749	(184)
Provisions for guarantee repairs	252	-	252	243	9
Total assets and liabilities	**10,301**	**6,146**	**4,155**	**4,159**	**(4)**
Total deferred income tax, of which	**10,301**	**6,146**	**4,155**	**4,159**	**(4)**
– recognised in profit or loss					7
– recognised in equity (*)					(11)

(*) applies to deferred tax from actuarial losses and exchange differences from translation of deferred tax assets recognised in other comprehensive income

Of the above-reported value of net deferred tax assets, the amount of PLN 316 thousand, as at 31 December 2023 (provision), concerns items that the Parent Company expects to realise over a period exceeding 12 months. There are no temporary differences related to investments in subsidiaries for which a deferred tax provision should be created.

30. Earnings per share

	12 months ended 31 December 2023	12 months ended 31 December 2022
Net profit	**68,318**	**70,220**
Weighted average number of ordinary shares ('000)	75,042	75,042
Basic earnings per share from continuing operations (PLN)	**0.91**	**0.94**
Net profit attributable to ordinary shareholders used to calculate diluted earnings per share	68,318	70,220
Weighted average number of ordinary shares used for calculating basic earnings per share ('000)	75,042	75,042
Dilution impact:	-	-
Adjusted weighted average number of ordinary shares used for calculating diluted earnings per share ('000)	75,042	75,042
Diluted earnings per share from continuing operations (PLN)	**0.91**	**0.94**

Basic earnings per share were calculated by dividing the net profit by the weighted average number of ordinary shares during the period.

As at 31 December 2023 and 2022, there were no diluting factors.

31. Financial guarantees granted and received

As at 31 December 2023, the companies belonging to the Group were parties to the following guarantee agreements in connection with their operations, granted by the following entities:

No	Counterparty	Type of guarantee	Subject matter and value	Date of expiry
1	Bank Handlowy w Warszawie S.A.	Guarantee of payment for the lease of warehouses in Nadarzyn	Bank guarantee in the amount of EUR 514,369.49	30 June 2024 (*)
2	Sopockie Towarzystwo Ubezpieczeń ERGO Hestia S.A.	Contract on granting a customs debt guarantee	The security for repayment of custom debts, taxes and other fees associated with goods released into free circulation based on customs declaration, in the amount of PLN 270,000	31 December 2023 (**)
3	BRD Groupe Societe Generale	Guarantee of payment for warehouse rental in Bucharest	Bank guarantee in the amount of EUR 247,300	3 August 2024

(*) after the balance sheet date, the guarantee amount was increased to EUR 613,352 and the guarantee validity period was changed to 28 February 2025
(**) after the balance sheet date, the Company received guarantees for the payment of customs duties for the next year, i.e. from 1 January 2024 to 31 December 2024

On 12 June 2019, TOYA S.A. granted a guarantee of payment of liabilities arising from warehouse and office rental agreement by Toya Romania S.A. to the landlord up to the amount of EUR 115 thousand. The lease agreement was concluded on 8 February 2019 and covers a period of 10 years, with the option of changing this period. The warranty expires 3 months after the date of termination of the lease.

(amounts are expressed in PLN thousand, unless specified otherwise)

32. Transactions with related entities

In 2023 and 2022, the Group effected transactions with the following related parties:

- Toya Development Sp. z o.o. S.K. in liquidation – entity related through key management personnel,
- Toyota Katowice Sp. z o.o. - entity related through key management personnel,
- Grzegorz Pinkosz – President of the Management Board – key management personnel,
- Maciej Lubnauer – Vice-President of the Management Board – key management personnel,
- Robert Borys – Vice-President of the Management Board – key management personnel,
- Piotr Mondalski – President of the Supervisory Board – key management personnel,
- Jan Szmidt – Vice-President of the Supervisory Board – key management personnel,
- Dariusz Górka – Member of the Supervisory Board – key management personnel,
- Grzegorz Maciąg – Member of the Supervisory Board – key management personnel,
- Michał Kobus - Member of the Supervisory Board – key management personnel,
- Wojciech Bartłomiej Papierak - Member of the Supervisory Board – key management personnel,
- Beata Szmidt - Member of the Supervisory Board – key management personnel.

In the years ended 31 December 2023 and 31 December 2022, no receivables from related parties were written down.

Balances due to transactions with related entities are not insured.

Information on remuneration and benefits of key management personnel and on transactions executed with such personnel

The Management Board and the Supervisory Board comprise the key management personnel of the Company.

The remuneration and benefits paid or payable to the Company's key management personnel are as follows:

	2023	2022
Remunerations and benefits under employment contracts and appointment contracts - Management Board	3,308	3,167
Social insurance (ZUS) costs borne by the Company - Management Board	11	38
Remunerations for positions held - Supervisory Board	750	612
Social insurance (ZUS) costs borne by the Company - Supervisory Board	122	102
Employee Capital Plans (PPK) financed by the Company	6	6

In 2023 and 2022, no dividend was paid to key management personnel.

Apart from the transactions listed above, the Company did not conduct any transactions with key management personnel.

(amounts are expressed in PLN thousand, unless specified otherwise)

Summary of transactions and balances with related entities

	Trade and other receivables	Trade and other payables	Revenue from sales of goods and services and other revenues	Purchase of goods and services
	31.12.2023		1.01.2023 - 31.12.2023	
Entities related through key management personnel	8	-	99	-
Total	**8**	**-**	**99**	**-**
	31.12.2022		1.01.2022 - 31.12.2022	
Entities related through key management personnel	2	-	86	-
Total	**2**	**-**	**86**	**-**

Related party transactions are entered into on arm's length terms in the course of the Group's day-to-day operations

33. Material events subsequent to the end of reporting period

33.1. Expression of consent by the Supervisory Board to conclude a surety agreement

On 6 March 2024, the Company received information about the consent of its Supervisory Board to the conclusion of the Surety Agreement No. BDK/UP/000054601/0040/23, between the Company and the Citibank (China) Company Limited-Shanghai Branch, based in the People's Republic of China. The Surety Agreement will be concluded to secure the repayment of receivables due to the Bank, in relation to the planned conclusion of the Short-Term Working Capital Credit Agreement, in the amount of CNY 60,000 thousand, between YATO TOOLS (Shanghai) Co., Ltd., and the Bank.

The Surety Agreement assumes:

a) surety of the Issuer for the liabilities of the Subsidiary up to CNY 72,000 thousand;
b) granting a surety until 31 August 2025;
c) authorizing the Bank to debit the Issuer's current account with the amount of liabilities arising from the Surety Agreement;
d) the Issuer's obligation to provide, at Bank's request, within the time limit and in accordance with the conditions indicated by the Bank and in the content approved by the Bank, a declaration of submission to enforcement in the form of a notarial deed in accordance with Art. 777 § 1 point 5) of Code of Civil Procedure.

The remaining terms and conditions of the Surety Agreement do not differ from those commonly used for this type of agreements.

33.2. Conclusion of a short-term loan agreement by a subsidiary

On 26 March 2024, the Company received information about the conclusion of the Short-term Working Capital Credit Agreement between YATO TOOLS (Shanghai) Co., Ltd. and CITIBANK (CHINA) CO., LTD. SHANGHAI BRANCH based in the People's Republic of China.

The loan amounted to CNY 60,000 thousand. The amount will be used for the current operations of the Subsidiary. The contract was concluded for 12 months.

(amounts are expressed in PLN thousand, unless specified otherwise)

The loan will be secured by the Company's surety for the liabilities of the Subsidiary under the surety agreement.

The remaining terms and conditions of the Agreement do not differ from those commonly used for this type of agreements.

33.3. Annex to the overdraft agreement

On 26 March 2024, TOYA S.A. concluded an Annex No. 6 to the Current Account Credit Agreement No. 09/030/19/Z/VV with mBank S.A. based in Warsaw. Pursuant to the annex, the final repayment date of the loan was set at 27 March 2024. The remaining terms and conditions of the Agreement do not differ from the terms and conditions commonly used for this type of agreements.

Management Board of Toya S.A.:

Date	Name and surname	Position	Signature
28.03.2024	Grzegorz Pinkosz	President of the Management Board	
28.03.2024	Maciej Lubnauer	Vice-President of the Management Board	
28.03.2024	Robert Borys	Vice-President of the Management Board	

Person responsible for bookkeeping:

Date	Name and surname	Position	Signature
28.03.2024	Iwona Banik	Chief Accountant	