TOYA S.A.

Financial statements for the financial year ended 31 December 2022

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Contents

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

Statement of financial position

	Note	31 December 2022	31 December 2021
ASSETS			
Property, plant and equipment	0	17,715	17,419
Intangible assets	8	3,776	3,189
Right-of-use assets	9	12,865	14,121
Investments in subsidiaries	0	70,803	52,984
Deferred income tax assets	28	1,954	1,810
Non-current assets		107,113	89,523
Inventory	11	247,870	285,560
Trade and other receivables	0	60,186	33,602
Current income tax receivables		847	-
Cash and cash equivalents	13	1,386	1,229
Current assets		310,289	320,391
Total assets		**417,402**	**409,914**
EQUITY AND LIABILITIES			
Share capital	0	7,504	7,504
Share premium		35,677	35,677
Reserve capital		329	329
Other capitals		(73)	(209)
Retain earnings	16	248,104	202,035
Equity		291,541	245,336
Liabilities from loans	17	17,143	10,049
Lease liabilities	20	5,494	6,649
Liabilities from employee benefits	19	566	678
Other long-term liabilities		32	35
Long-term liabilities		23,235	17,411
Trade and other payables	18	22,664	38,805
Liabilities from employee benefits	19	7,264	7,402
Liabilities from loans	17	65,024	86,904
Lease liabilities	20	6,551	7,015
Liabilities from current income tax		-	5,990
Provisions	21	1,123	1,051
Short-term liabilities		102,626	147,167
Total liabilities		125,861	164,578
Total equity and liabilities		**417,402**	**409,914**

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

Statement of profit or loss and other comprehensive income

	Note	12 months ended 31 December 2022	12 months ended 31 December 2021
Revenue from sales of goods	0, 23	594,310	543,098
Cost of goods sold	24	(434,521)	(383,649)
Gross profit		**159,789**	**159,449**
Selling costs	24	(73,143)	(61,429)
Administrative expenses	24	(21,190)	(18,843)
Expected credit losses	0	(12)	65
Other operating revenue	26	1,363	434
Other operating expenses	26	(386)	(275)
Operating profit		**66,421**	**79,401**
Financial revenue	27	3	3
Financial expenses	27	(8,877)	(1,013)
Profit before tax		**57,547**	**78,391**
Income tax	28	(11,478)	(15,149)
Net profit		**46,069**	**63,242**
Items that cannot be transferred to profit or loss			
Actuarial gains or losses	19	168	(19)
Income tax on other comprehensive income		(32)	4
Other net comprehensive income		**136**	**(15)**
Total net comprehensive income for the financial year		**46,205**	**63,227**
Net profit for the period attributable to shareholders of the Company		**46,069**	**63,242**
Comprehensive income for the period attributable to shareholders of the Company		**46,205**	**63,227**

Earnings per share

		12 months ended 31 December 2022	12 months ended 31 December 2021
Basic earnings per share in PLN	29	**0.61**	**0.84**
- from continuing operations		0.61	0.84
- from discontinued operations		-	-
Diluted earnings per share in PLN	29	**0.61**	**0.84**
- from continuing operations		0.61	0.84
- from discontinued operations		-	-

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

Statement of changes in equity

	Share capital	Share premium	Reserve capital	Other capitals	Retained earnings	Total equity
Sas at 1 January 2022	**7,504**	**35,677**	**329**	**(209)**	**202,035**	**245,336**
Comprehensive income						
Net profit	-	-	-	-	46,069	46,069
Other comprehensive income	-	-	-	136	-	136
Total comprehensive income	**-**	**-**	**-**	**136**	**46,069**	**46,205**
Transactions with owners						
Payment of dividend	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**-**
As at 31 December 2022	**7,504**	**35,677**	**329**	**(73)**	**248,104**	**291,541**
As at 1 January 2021	**7,504**	**35,677**	**329**	**(194)**	**160,555**	**203,871**
Comprehensive income						
Net profit	-	-	-	-	63,242	63,242
Other comprehensive income	-	-	-	(15)	-	(15)
Total comprehensive income	**-**	**-**	**-**	**(15)**	**63,242**	**63,227**
Transactions with owners						
Payment of dividend	-	-	-	-	(21,762)	(21,762)
Total transactions with owners	**-**	**-**	**-**	**-**	**(21,762)**	**(21,762)**
As at 31 December 2021	**7,504**	**35,677**	**329**	**(209)**	**202,035**	**245,336**

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

Cash flow statement

	Note	12 months ended 31 December 2022	12 months ended 31 December 2021
Cash flows from operating activities			
Profit before tax		**57,547**	**78,391**
Adjustments for:			
Amortisation and depreciation	24	9,276	8,782
Net interest	27	8,877	1,009
Profit/Loss on investing activities	26	(29)	(40)
Foreign exchange gains/losses		2,016	1,135
Other adjustments		(3)	3
Changes in balance sheet items:			
Change in trade and other receivables	14	(26,584)	2,577
Change in inventories	14	37,690	(103,529)
Change in provisions	14	72	(9)
Change in trade and other payables	14	(16,141)	10,085
Change in employee benefit liabilities	14	(82)	1,601
Income tax paid		(18,491)	(13,769)
Net cash from operating activities		**54,148**	**(13,764)**
Cash flows from investing activities			
Sale of property, plant and equipment		67	59
Purchase of property, plant and equipment and intangible assets		(3,801)	(2,765)
Purchase of shares in subsidiaries		(19,769)	(19,177)
Net cash from investing activities		**(23,503)**	**(21,883)**
Cash flows from financing activities			
Proceeds from loans	17	16,554	65,351
Repayments of loans	17	(31,675)	-
Repayment of lease liabilities	20	(6,826)	(6,483)
Interest paid on loans	17	(7,819)	(359)
Interests paid on leases	20	(722)	(455)
Dividends paid		-	(21,762)
Net cash from financing activities		**(30,488)**	**36,292**
Change in net cash and cash equivalents		**157**	**645**
Balance sheet change in cash and cash equivalents, including:		157	645
- change in cash due to exchange rate differences		-	-
Cash and cash equivalents at the beginning of the period	13	**1,229**	**584**
Cash and cash equivalents at the end of the period	13	**1,386**	**1,229**

Accounting policy and other explanatory notes

1. General information

Name of the reporting entity: TOYA S.A. (hereinafter referred to as the "Company")

Legal form of the entity: Joint-stock company

Entity's registered office address: ul. Sołtysowicka 13-15, 51-168 Wrocław

Entity's headquarters: Wrocław

Country of registration: Poland

Primary location of entity's operations: Poland

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).Next, pursuant to a court decision of 3 December 1999, the Company was entered in the Commercial RHB 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 2022, 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.

Description of the nature and basic scope of Company's activities

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, Ukraine, Baltic countries, Hungary, Belarus, Moldova, Czech Republic, Bulgaria, Russia and Germany). Moreover, in 2003 a subsidiary, TOYA Romania S.A., was established, whose 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 2008, the company Yato Tools (Shanghai) Co. Ltd., located in China, was established. The entity deals in the distribution of YATO brand tools and power tools in China and in certain other foreign markets not supported by TOYA S.A. 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.

Duration of the Company is unlimited.

Toya S.A. is the parent company of the TOYA S.A. Capital Group.

In the period from 1 January 2022 to 26 January 2022, the Management Board was composed of the following members:

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

On 27 January 2022, the Supervisory Board appointed Mr. Robert Borys to act as the Vice-President of the Management Board. From that date and until the date of approval of these financial statements for publication, the Management Board 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 2022 to 31 December 2022 and until the date of approval of these financial statements for publication, the Supervisory Board of the Parent Company was composed 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 financial statements of the Company cover the year ended on 31 December 2022. Comparative data is presented:

- as at 31 December 2021 - for the statement of financial position;
- for the period from 1 January 2021 to 31 December 2021 - for the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity.

These financial statements of the Company for the year ended 31 December 2022 were approved for publication by the Management Board on 23 March 2023.

The Company has also prepared the consolidated financial statements for the year ended 31 December 2022, which were approved for publication by the Management Board on 23 March 2023.

2. Summary of significant accounting policies

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

2.1 Basic of preparation

These financial statements of the Company for the financial year ended 31 December 2022 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 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 31 December 2022.

The policies described below have been consistently applied to all the periods presented, except for changes resulting from the application of new or amended IFRS from 1 January 2022, which were described below.

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

The preparation of financial statements in conformity with IFRS requires use of significant accounting estimates. It also requires the Management Board to exercise judgement in the process of applying the accounting policies adopted by the Company. 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 financial statements are disclosed in note 4.

Going concern

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

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

These financial statements have been prepared on the basis of the EU IFRS issued and effective as at the reporting date, i.e. 31 December 2022.

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 2022

- **Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Amendments to International Financial Reporting Standards 2018-2020**

The package of changes includes three changes to the standards:

- updates the reference made in IFRS 3 Business Combinations to the Conceptual Framework for the Preparation and Presentation of Financial Statements without changing the accounting requirements for business combinations;
- excludes the possibility of reducing the cost of tangible fixed assets by the amounts received from the sale of products produced in the period when the entity prepares the item of tangible fixed assets for its intended use. Such revenues and related costs should be recognized in the profit and loss account for the period (IAS 16);
- explains what costs of meeting contractual obligations the entity takes into account when assessing whether a given contract will give rise to liabilities (IAS 37).

The package also includes Amendments to the International Financial Reporting Standards 2018-2020, which contain clarifications and specify the provisions of the standards in the field of IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and examples illustrating IFRS 16 Leases.

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

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

Standards and Interpretations - approved by the EU, which have not yet come into force for annual periods beginning on 1 January 2022

Standards and Interpretations	**Type of anticipated change in accounting policies**	**Possible impact on the financial statements**
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Making materiality judgements *(effective for annual periods beginning on or after 1 January 2023, with earlier adoption permitted)*	*Amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies.*	The above Amendments are not expected to have a significant impact on the financial statements of the Company.
Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of accounting estimates (issued on 12 February 2021) *(effective for annual periods beginning on or after 1 January 2023, with earlier adoption permitted)*	The amendments introduce the definition of accounting estimates as monetary amounts disclosed in the financial statements that are subject to measurement uncertainty and clarify the relationship between accounting principles and estimates, indicating that the entity prepares accounting estimates to achieve the objectives indicated in the accounting principles.	The above Amendments are not expected to have a significant impact on the financial statements of the Company.
Amendments to IAS 12 Income Taxes: Deferred Tax Related to Assets and Liabilities arising from a Single Transaction *(effective for annual periods beginning on or after 1 January 2023, with earlier adoption permitted)*	The amendments narrow the scope of application of the exemption from the initial recognition of deferred tax in order to exclude transactions that give rise to temporary differences in equal amounts or that offset each other - for example, leases and liquidation liabilities. In the case of leases and liquidation liabilities, the related deferred tax assets and liabilities should be recognized from the beginning of the earliest comparative period presented and any cumulative effect is recognized as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the changes apply to transactions that occur after the beginning of the earliest period presented.	The Company accounts for deferred tax on lease and liquidation liabilities using the "integrally related" approach, which results in a similar effect as the introduced changes, therefore no significant impact on the financial statements is expected.

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

Standards and Interpretations awaiting EU endorsement

Standards and Interpretations	***Type of anticipated change in accounting policies***	**Possible impact on the financial statements**
Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture *(Effective date deferred indefinitely. Available for optional adoption in IFRS financial statements. The European Commission has decided to defer approval indefinitely; it is unlikely to be endorsed by the EU in the foreseeable future)*	The amendments clarify that in the case of a transaction involving an associate or joint venture, the scope of recognition of profit or loss depends on whether the assets sold or contributed constitute a business, in such a way that: ● a full gain or loss is recognized when the transaction between the investor and its associate or joint venture involves the transfer of an asset or an asset constituting a business (regardless of whether they are located in a subsidiary or not), while a partial gain or loss is recognized when the transaction between the investor and its associate or joint venture involves assets that do not constitute business, even if those assets are held in a subsidiary.	*The changes are not expected to have a significant impact on the financial statements of the Company, as the Company has no associates or joint ventures.*
Amendments to IAS 1 Presentation of Financial Statements: Current or Non-Current Liabilities containing conditions regarding financial ratios specified in the loan agreement (covenants) (Applicable for annual periods beginning on or after 1 January 2024, and should be applied retrospectively. Early application is allowed. *Specific transitional requirements apply for entities that have already adopted the previously issued but not yet effective 2020 Amendments.*	In accordance with the applicable requirements of IAS 1, entities classify a liability as short-term when they do not have an unconditional right to defer settlement of the liability for at least 12 months from the balance sheet date. The changes introduced in 2020 removed the requirement that the right must be unconditional, and instead require that the right to defer payment exists at the reporting date and be substantiated (the classification of liabilities is not affected by management's intentions or expectations as to whether the company will use the right to defer settlement of the liability or decides to settle the liability earlier). The changes introduced in 2022 also specify that if the right to defer the settlement of a liability depends on the company meeting the conditions regarding the ratios set out in the loan agreement (covenants), the presentation of the liability as short-term or long-term. Contracts that the company must comply with after the balance sheet date do not affect the classification of the liability at that date. However, the amendments require entities to disclose information about these future contracts to help users understand the risk that these obligations may fall due within 12 months after the balance sheet date. The amendments also clarify how an entity classifies a liability that may be settled in exchange for treasury shares (e.g. convertible debt).	The Amendments are not expected to have a significant impact on the financial statements of the Company.
Amendments to IFRS 16 Leases: Lease liability under sale and leaseback transactions (Applicable for annual periods beginning on or after 1 January 2024) *Earlier application is allowed.*	Amendments to IFRS 16 Leases affect the manner in which the seller-lessor settles variable lease payments under sale and leaseback transactions. The changes introduce a new model of accounting for variable payments and will require seller-lessees to reassess and possibly convert sales and leaseback transactions entered into from 2019. The changes confirm the following: • at initial recognition, the seller-lessee includes variable lease payments when measuring the lease liability arising from a sale and leaseback transaction; • after initial recognition, the seller-lessee applies the general requirements for subsequent recognition of the lease liability in such a way that it does not recognize any gains or losses related to the retained right of use. The seller-lessee may adopt different approaches that meet the new requirements for subsequent valuation. These changes do not change the accounting for leases other than those resulting from sale and leaseback transactions.	The Company does not expect the Standard to have a significant impact on its financial statements.

As at the date of approving of these financial statements for publication, 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 Company in relation to the operations or its financial results, however as at the date of approval of these 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 Company.

2.3 Interests in subsidiaries

Interests in controlled entities are recognised at acquisition cost.

Investments in subsidiaries are tested for impairment whenever there is indication of impairment or indication that any previously recognised impairment loss is no longer required or has decreased.

2.4 Segment reporting

Information on operating segments is presented on the same basis as that used for internal reporting to the 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 financial statements prepared in accordance with the UE IFRS.

2.5 Valuation of items denominated in foreign currencies

Functional currency

Items contained in the Company's financial statements are measured in the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in the Polish zloty, which is the functional currency and the presentation currency of the Company.

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 income or other operating 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.

2.6 Property, plant and equipment

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

The acquisition price includes the purchase price of an asset (i.e. the amount due to a seller, decreased by deductible taxes: VAT and excise duty), 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 entity 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 Company 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 10 years

Correctness of the applied useful lives, depreciation methods and residual values (except where insignificant) is reviewed by the Company 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.

2.7 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

2.8 Leases

a) Right-of-use assets

The Company 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 Company 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 Company 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 Company 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 Company). 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 Company 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 Company 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 Company 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.

2.9 Impairment on non-financial non-current assets

As at the end of each reporting period, the Company assesses whether there is any evidence that any of its non-financial non-current assets may be impaired. If the Company finds that there is such evidence, or if the Company is required to perform annual impairment tests (in the case of goodwill), the Company 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 Company assesses whether there is evidence that any impairment loss recognised in the previous periods with respect to a given asset or cash-generating unit is no longer necessary or should be reduced. If such evidence exists, the Company measures the recoverable amount of the given asset or CGU.

2.10 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.

2.11 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.

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 Company loses control over the asset.

The Company 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 Company'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) <u>financial assets measured at amortized cost</u>

Financial assets held to receive contractual cash flows, which include only repayment of principal amount and interest, are measured at amortised cost. The Company 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 1 year) are determined using effective interest rate method and recognized as “financial income” in statement of profit or loss. Impairment losses on trade receivables are recognised in line with the accounting policy described in note 2.12 and are recognized in cost of sales.

As of 31 December 2022 and 2021 the Company did not held any assets qualified within the remaining two categories, i.e. (ii) measured ad fair value through profit or loss, and (iii) measured at fair value through other comprehensive income.

2.12 Impairment of financial assets

The Company 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 Company 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 Company 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). 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.

2.13 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 2.21) 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. Inventory impairment is recognised in relation to goods which are in the permanent offer of the Company 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.

2.14 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.

2.15 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,
- other capitals include actuarial gains 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. Transaction cost related to the purchase of own shares reduces the amount of reserve capital created for this purpose by General Shareholders Meeting.

2.16 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.

2.17 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 2.211). 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 Company 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 03).

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.

2.18 Current and deferred income tax

Mandatory decreases of profit include current and deferred income tax.

- **Current tax**

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..

- **Deferred income tax**

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 Company 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 entity level, 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 Company controls the reversal of such temporary differences and it is probable that such differences will not reverse in the foreseeable future.

2.19 Liabilities from employee benefits

- **Post-employment benefit plan – the defined contribution plan**

The Company participates in the national 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 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.

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

In accordance with the Labour Code and applicable remuneration systems and rules, employees of the Company 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 Company. The amount of a retirement severance pay or death benefit depends on the length of employment and average remuneration of a given employee. The Company 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.

2.20 Provisions

Provisions are created when the Company has a present 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.

2.21 Recognition of revenue

Revenue is recognised at fair value of consideration received or receivable, net of VAT, returns, rebates and discounts. The Company 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 an asset occurs when the asset is transferred to the customer.

Revenue from sales of goods include transportation services, provided by external parties, costs of which are incurred by the customers, in case the Company 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 Company estimates amounts of rebates owned to customers and recognizes these rebates as an offsetting entry to revenues from sales and as a trade liability.

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 Company extends the right of return of purchased goods, within limited period of time, to some of its customers. The Company estimates the potential liability arising from these rebates and if the estimated liability is material, the Company recognizes this amount as an offset to revenues from sales and as a liability due to expected returns in "trade liabilities" line (note 2.17). At the same time, the Company 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 2.13).

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

2.22 Dividends

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

3. Foreign currencies used in preparation of these financial statement

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

Currency	31 December 2022	31 December 2021
1 EUR	4.6899	4.5994
1 USD	4.018	4.0600
1 CNY	0.6348	0.6390

4. Material accounting estimates and judgements

Estimates and judgements are verified on an ongoing basis. Estimates and judgements used during the preparation of the 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, are believed to be reasonable under the circumstances.

The Company 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 Company estimates the potential liability arising from rebates granted to customers, and if the estimated liability is material, the Company 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 Company's Management Board determines estimated useful lives and depreciation rates for tangible non-current assets. 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 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 than expected, respectively, and revalues technologically obsolete assets, and assets which are not of strategic importance and whose use has been discontinued.

If the actual useful lives of property, plant and equipment had been by 10% shorter than the Management Board's estimates, the depreciation of property, plant and equipment would have been higher by PLN 257 thousand as at 31 December 2022 (PLN 242 thousand as at 31 December 2021).

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

The Company 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 Company 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 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 2.20; 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 21;
- other provisions resulting from claims brought against the Company – 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 2.13; for details on the amount of the write-down, see note 11.

- **Expected credit losses**

The Company 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 Company in estimation of the expected credit losses, in accordance with the policy described in note 2.12; for details on the amount of the write-down, see note 12.

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

5. Financial risk management

The Company'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 Company's overall risk management programme is designed to mitigate the potential effect of risk on the Company's financial performance. The Company 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.

5.1 Market risk

Foreign exchange risk

Currently the Company purchases significant amounts of goods from foreign suppliers, located primarily in China, at prices denominated in foreign currencies, particularly in CNY and USD. The currency structure of trade liabilities is presented below:

	31 December 2022	31 December 2021
PLN	84%	66%
USD	7%	26%
CNY	9%	8%
TOTAL	**100%**	**100%**

The Company may use EUR and USD denominated credit facilities available under executed credit facility agreements. As at 31 December 2022 and 31 December 2021, the Company has no loan liabilities denominated in foreign currencies.

As at 31 December 2022 cash in foreign currencies (CNY, EUR and USD) represented 17% of the total cash (as at 31 December 2021 - 50%).

37% of the Company's revenue is generated from exports, at prices denominated in foreign currencies — mainly USD. As at 31 December 2022, trade receivables in USD represented 36% of the total trade receivables (46% as at a 31 December 2021).

There is a risk that future fluctuations of exchange rates may have a negative or positive effect on the Company's financial performance. So far, the Company has not used derivative financial instruments to hedge against the results of future changes in exchange rates. The sensitivity of the gross financial result to the increase in the exchange rates of individual currencies as at 31 December 2022 and 31 December 2021 by 10% is presented below, with other conditions unchanged. The sensitivity is determined as a result of the conversion of the impact of the higher / lower exchange rate on the revaluation of the balances of trade receivables and liabilities and others expressed in currencies.

10% currency rate increase as of 31 December 2022	USD	EUR	CNY	TOTAL
Trade and other receivables	2,020	121	-	2,141
Trade and other payables	(98)	2	(120)	(216)
TOATL impact on 2022 result	**1,922**	**123**	**(120)**	**1,925**

10% currency rate increase as of 31 December 2021	USD	EUR	CNY	TOTAL
Trade and other receivables	1,584	50	-	1,634
Trade and other payables	(850)	(2)	(268)	(1,120)
TOATL impact on 2021 result	**734**	**48**	**(268)**	**514**

According to the Company's Management Board, foreign exchange risk concentration Is low, because to a large extent balances denominated in foreign currencies are offsetting each other.

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

Risk of interest rate changes affecting cash flows and fair values

As at 31 December 2022 and 31 December 2021 the Company held no other interest-bearing assets.

The Company's policy envisages the use of bank loans bearing interest at variable rates. This exposes the Company to the risk of interest rate changes affecting its cash flows. As at 31 December 2022, all liabilities under bank loans bear interest at variable rates (which was also the case as at 31 December 2021).

The Company monitors its exposure to the risk of interest rate changes affecting its cash flows and fair values. The Company runs simulations of various scenarios, taking into consideration refinancing, roll-over of the existing positions, and alternative financing. The Company 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 Company's cash flows to interest rate risk was prepared for financial instruments based on variable interest rates. The financial instruments held by the Company were linked to WIBOR rates. The impact of interest rate fluctuations on the financial result was calculated as the product of liability balances as at 31 December 2022 and the assumed WIBOR variance.

	+20 basis points	**-20 basis points**
	Effect on profit before income tax	**Effect on profit before income tax**
Financial liabilities		
Variable interest rate loans	(164)	164
Total for 2022	**(164)**	**164**

	+20 basis points	**-20 basis points**
	Effect on profit before income tax	**Effect on profit before income tax**
Financial liabilities		
Variable interest rate loans	(194)	194
Total for 2021	**(194)**	**194**

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

5.2 Credit risk

Credit risk arises mainly from bank deposits and credit exposures to customers, including trade receivables due.

Credit risk relating to bank deposits is considered by the Management Board as low because the Company 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.).

Credit risk relating to credit exposures to Company's customers is considered as low by the Management Board. The Company sells its products to 2 key customer groups: retail chains and wholesale customers (including wholesalers, distributors and authorised retail stores). The Company sells its products on the domestic and foreign markets – mainly countries in Central, Eastern and Southern Europe (Romania, Ukraine, Baltic countries, Hungary, Belarus, Moldova, the Czech Republic, Bulgaria, Russia and Germany).

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

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

Share in sales revenues	**2022**	**2021**
Domestic sales – wholesale market	44%	42%
Domestic sales – retail chains	11%	13%
Domestic sales – other	8%	7%
Export	37%	38%
Total	**100%**	**100%**

As regards sales to retail chains, the Company sells its products to the largest chains in Poland. Credit exposures in this customer group are rather evenly distributed. 2 key retail chains jointly account for approximately 87.5 % 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 Company has established cooperation with authorised distributors, a few dozen wholesalers across the country and stores. In 2022 and 2021 the concentration of receivables in the wholesale channel was at a similar level - 75% of sales was executed by 18 in 2022 and 2021. The Company 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 Company mitigates its credit risk by having trade receivables insured in renowned insurance company. As at 31 December 2022, 60% of the trade receivables were insured (31 December 2021 - 58%). 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 Company also mitigates credit risk through the implementation 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.

The maturity structure of receivables and details on past due receivables are presented in note 0.

The credit quality of financial assets that are neither past due nor impaired can be estimated by reference to external credit ratings or information on historical counterparty’s payment default. Cash is deposited in banks rated BBB -, BBB and A- (EuroRating rating agency). With regard to trade receivables, the Company cooperates with reputable organizations that provide tools for credit risk analysis, and also monitors contractors' delays in repayment on an 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 2022, the maximum credit risk exposure was PLN 22,056 thousand (as at 31 December 2021: PLN 13,866 thousand).

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

5.3 Liquidity risk

The Management Board of the Company believes that the Company's liquidity is secured for the foreseeable future. The Company 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 Board monitors the level of short-term liabilities and current assets, as well as current cash flows of the Company. 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 2022	**31 December 2021**
Current assets	310,289	320,391
Current liabilities	102,626	147,167
	2022	**2021**
Cash flow from operating activities	54,148	(13,764)

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

The table below presents financial liabilities of the Company 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	25,150	5,825	39,893	18,477	-	-	**89,345**
Trade and other payables	13,385	-	-	-	-	-	**13,385**
Lease liabilities	1,885	1,845	3,477	3,977	399	4,004	**15,587**
Warranty liability	539	-	-	-	-	-	**539**
As at 31 December 2022	**40,959**	**7,670**	**43,370**	**22,454**	**399**	**4,004**	**118,856**
Loans	110	-	89,614	10,358	-	-	**100,082**
Trade and other payables	33,670	-	-	-	-	-	**33,670**
Lease liabilities	1,835	1,847	3,638	3,949	1,411	4,124	**16,804**
Warranty liability	529	-	-	-	-	-	**529**
As at 31 December 2021	**36,144**	**1,847**	**93,252**	**14,307**	**1,411**	**4,124**	**151,085**

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

5.4 Capital management

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

The Company's capital management activities are aimed at protecting the Company'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 Company also follows a rule that non-current assets are to be fully financed by equity.

	31 December 2022	31 December 2021
Non-current assets	107,113	89,523
Equity	291,541	245,336

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

	31 December 2022	31 December 2021
Equity	291,541	245,336
Total assets	417,402	409,914
Equity ratio	**70%**	**60%**

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

6. Financial instruments

As at 31 December 2022	Financial assets	Financial liabilities
	Measured at amortised cost	Measured at amortised cost
Trade receivables	54,497	-
Cash and cash equivalents	1,386	-
Trade and other payables	-	13,417
Loans and borrowings	-	82,167
Lease liabilities	-	12,045
TOTAL	**55,883**	**107,629**

As at 31 December 2021	Financial assets	Financial liabilities
	Measured at amortised cost	Measured at amortised cost
Trade receivables	32,477	-
Cash and cash equivalents	1,229	-
Trade and other payables	-	33,705
Loans and borrowings	-	96,953
Lease liabilities	-	13,664
TOTAL	**33,706**	**144,322**

Revenue and expense recognised in the 2022 and 2021 financial results, relating to financial assets or financial liabilities not measured at fair value though profit or loss are presented below:

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

12 months ended 31 December 2022	Financial assets	Financial liabilities
Interest expenses	-	8,877
Profits on exchange differences	5,730	6,385
Losses on exchange differences	(4,475)	(6,617)
Establishment of impairment write-downs	12	-
Total net profit/ (loss)	**1,267**	**8,645**

12 months ended 31 December 2021	Financial assets	Financial liabilities
Interest expenses	-	1,013
Profits on exchange differences	3,820	3,915
Losses on exchange differences	(1,686)	(5,913)
Reversal of impairment write-downs	(65)	-
Total net profit/ (loss)	**2,069**	**(985)**

Fair value estimation

In the Company'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 Company uses market interest rates, hence the Company estimates that the carrying value of these liabilities also does not differ significantly from their fair value.

7. Property, plant and equipment

	31 December 2022	31 December 2021
Land	2,907	2,907
Buildings and structures	7,452	7,690
Plant and equipment	3,515	2,505
Vehicles	87	93
Other	3,271	3,536
Total	**17,232**	**16,731**
Property, plant and equipment not transferred for use	483	688
Total property, plant and equipment	**17,715**	**17,419**

Apart from the property, plant and equipment serving as security in respect of working capital facilities (note 17), there are no restrictions on the use of property, plant and equipment held by the Company.

In 2022 and 2021, the Company did not capitalise borrowing costs due to the insignificancy of these amounts.

As at 31 December 2022, the Company had no commitments to expenditure on 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	Fixed assets not transferred for use	Total
Initial value							
Sas at 1 January 2022	**2,907**	**13,191**	**7,453**	**666**	**10,371**	**688**	**35,276**
Purchase	-	-	-	-	278	2,321	**2,599**
Liquidation	-	(6)	(1,400)	(134)	(3,213)	-	**(4,753)**
Reclassification	-	211	4,207	94	208	(2,526)	**2,194**
As at 31 December 2022	**2,907**	**13,396**	**10,260**	**626**	**7,644**	**483**	**35,316**
As at 1 January 2021	**2,907**	**13,163**	**6,789**	**1,186**	**9,453**	**92**	**33,590**
Purchase	-	-	-	-	421	1,785	**2,206**
Liquidation	-	-	-	(520)	-	-	**(520)**
Reclassification	-	28	664	-	497	(1,189)	**-**
As at 31 December 2021	**2,907**	**13,191**	**7,453**	**666**	**10,371**	**688**	**35,276**
Accumulated depreciation							
As at 1 January 2022	**-**	**5,501**	**4,948**	**573**	**6,835**	**-**	**17,857**
Depreciation for the period	-	445	1,066	27	745	-	**2,283**
Decreases	-	(2)	(1,392)	(110)	(3,207)	-	**(4,711)**
Reclassification		-	2,123	49	-	-	**2,172**
As at 31 December 2022	**-**	**5,944**	**6,745**	**539**	**4,373**	**-**	**17,601**
As at 1 January 2021	**-**	**5,053**	**4,054**	**1,037**	**6,039**	**-**	**16,183**
Depreciation for the period	-	448	894	42	796	-	**2,180**
Decreases	-	-	-	(506)	-	-	**(506)**
As at 31 December 2021	**-**	**5,501**	**4,948**	**573**	**6,835**	**-**	**17,857**
Carrying amount							
As at 31 December 2022	**2,907**	**7,452**	**3,515**	**87**	**3,271**	**483**	**17,715**
As at 31 December 2021	**2,907**	**7,690**	**2,505**	**93**	**3,536**	**688**	**17,419**

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

8. Intangible assets

	31 December 2022	31 December 2021
Licences, concessions and patents, including:	2,301	2,398
– software	2,301	2,398
Other - trademarks and industrial designs	328	303
Total	**2,629**	**2,701**
Intangible assets under development	1,147	488
Total intangible assets	**3,776**	**3,189**

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

No collateral was established on intangible assets.

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

The table below presents changes in intangible assets:

	Software	Trademarks and industrial designs	Intangible assets under development	Total
Initial value				
As at 1 January 2022	**5,255**	**572**	**488**	**6,315**
Purchase	-	-	1,207	**1,207**
Liquidation	(76)	-	-	**(76)**
Reclassification	452	96	(548)	-
As at 31 December 2022	**5,631**	**668**	**1,147**	**7,446**
As at 1 January 2021	**4,837**	**477**	**441**	**5,755**
Purchase	-	-	560	**560**
Reclassification	418	95	(513)	-
As at 31 December 2021	**5,255**	**572**	**488**	**6,315**
Accumulated amortization				
As at 1 January 2022	**2,857**	**269**	**-**	**3,126**
Amortization for the period	549	71	-	**620**
Liquidation	(76)	-	-	**(76)**
As at 31 December 2022	3,330	340	-	**3,670**
As at 1 January 2021	**2,326**	**221**	**-**	**2,547**
Amortization for the period	531	48	-	**579**
As at 31 December 2021	**2,857**	**269**	**-**	**3,126**
Carrying amount				
As at 31 December 2022	**2,301**	**328**	**1,147**	**3,776**
As at 31 December 2021	**2,398**	**303**	**488**	**3,189**

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

9. Right-of-use assets

	31 December 2022	31 December 2021
Perpetual usufruct right to land	1,796	1,821
Buildings and structures	5,297	4,340
Plant and equipment	1,458	1,978
Vehicles	4,314	5,982
Total	**12,865**	**14,121**

Changes in the right-of-use assets are presented below:

	Land	Buildings and structures	Technical equipment and machinery	Vehicles	Total
Initial value					
As at 1 January 2022	**1,897**	**12,972**	**3,898**	**8,117**	**26,884**
Modification of lease contracts	-	5,103	-	36	5,139
Reclassification - repurchase	-	-	(2,123)	(71)	(2,194)
As at 31 December 2022	**1,897**	**18,075**	**1,775**	**8,082**	**29,829**
As at 1 January 2021	**1,870**	**12,939**	**2,123**	**5,571**	**22,503**
New lease contracts	27	-	1,775	3,808	5,610
Modification of lease contracts	-	33	-	-	33
Termination of lease contracts	-	-	-	(1,262)	(1,262)
As at 31 December 2021	**1,897**	**12,972**	**3,898**	**8,117**	**26,884**
Accumulated depreciation					
As at 1 January 2022	**76**	**8,632**	**1,920**	**2,135**	**12,763**
Depreciation	25	4,146	520	1,682	6,373
Reclassification - repurchase	-	-	(2,123)	(49)	(2,172)
As at 31 December 2022	**101**	**12,778**	**317**	**3,768**	**16,964**
As at 1 January 2021	**50**	**4,626**	**1,483**	**1,814**	**7,973**
Depreciation	26	4,006	437	1,555	6,024
Termination of lease contracts	-	-	-	(1,234)	(1,234)
As at 31 December 2021	**76**	**8,632**	**1,920**	**2,135**	**12,763**
Carrying amount					
As at 31 December 2022	**1,796**	**5,297**	**1,458**	**4,314**	**12,865**
As at 31 December 2021	**1,821**	**4,340**	**1,978**	**5,982**	**14,121**

In 2022, the Company did not conclude any new lease agreements. The following agreements have been modified:

- warehouse lease agreement – the lease period was extended as a result of the annex; right-of-use assets and lease liabilities were increased by PLN 5,091 thousand; moreover, the value of assets and liabilities was increased as a result of indexation by PLN 12 thousand;
- car lease agreement – as a result of the change in the interest rate, the expected cash flows changed, as a result of which the right-of-use assets increased by PLN 36 thousand.

The reclassification resulted from the purchase made after the end of the lease period in accordance with the terms provided for in the contracts. As a result, these assets were transferred to the company's fixed assets.

Lease liabilities are presented in note 20.

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

10. Investments in subsidiaries

As at 31 December 2022 and 31 December 2021 the Company held shares in the following entities:

	Country	Type of equity link	% of shares and votes held	Value of shares
31 December 2022				
Toya Romania S.A.	Romania	Subsidiary	99.99	1,885
Yato Tools (Shanghai) Co. Ltd	China	Subsidiary	100.00	20,746
Yato Tools (Jiaxing) Co. Ltd.	China	Subsidiary	100.00	48,172
				70,803
31 December 2021				
Toya Romania S.A.	Romania	Subsidiary	99.99	1,885
Yato Tools (Shanghai) Co. Ltd.	China	Subsidiary	100.00	20,746
Yato Tools (Jiaxing) Co. Ltd.	China	Subsidiary	100.00	30,353
				52,984

On 17 January 2022, an increase in the share capital of the subsidiary Yato Tools (Jiaxing) Co., Ltd. was registered in the Chinese Register of Entrepreneurs - from USD 8,000 thousand up to USD 12,500 thousand, i.e. by PLN 17,819 thousand. The payment was made in 3 tranches in 2022 and as at 31 December 2022 there is no liability due to the purchase of shares.

The Company has not identified any indications of impairment of its investments in subsidiaries.

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

Key financial data of subsidiaries is presented in the table below (data before consolidation adjustments).

	Non-current assets	Current assets	Equity	Long-term liabilities	Short-term liabilities	Revenues (*)	Expenses (**)	Net profit
2022								
Yato Tools (Jiaxing) Co. Ltd.	44,689	86,477	80,910	546	49,710	344,400	(328,283)	16,117
Yato Tools (Shanghai) Co. Ltd.	4,826	66,358	36,613	880	33,691	142,863	(141,789)	1,074
Toya Romania S.A.	15,866	61,822	40,920	10,869	25,898	88,671	(81,188)	7,483
TOTAL	**65,381**	**214,657**	**158,443**	**12,295**	**109,299**	**575,934**	**(551,260)**	**24,674**
2021								
Yato Tools (Jiaxing) Co. Ltd.	25,533	99,730	47,598	24	77,641	384,193	(373,664)	10,529
Yato Tools (Shanghai) Co. Ltd.	2,908	83,292	36,792	295	49,114	131,145	(129,117)	2,028
Toya Romania S.A.	17,419	43,729	32,815	11,784	16,550	76,194	(70,959)	5,235
TOTAL	**45,860**	**226,751**	**117,205**	**12,103**	**143,305**	**591,532**	**(573,740)**	**17,792**

(*) revenues comprise: revenue from the sales of goods for resale, other operating revenue and financial revenue

(**) expenses comprise: cost of goods for resale sold, selling costs, administrative expenses, expected credit losses, other operating expenses, financial expenses and income tax expense

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

11. Inventory

	31 December 2022	31 December 2021
Goods for resale at warehouse and in transit	247,780	285,022
Asset for expected returns from customers	90	538
Total inventory (carrying amount)	**247,870**	**285,560**
Revaluation write-down for goods at warehouse to net recoverable amount	2,141	1,384
Gross inventories	**250,011**	**286,944**

Changes in the write-down of inventories to net realizable value are presented in the table below:

	2022	2021
As at 1 January	1,384	1,604
Increase	757	-
Reversal/utilisation	-	(220)
As at 31 December	**2,141**	**1,384**

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 Company, should be written down, mainly as a result of their sale.

12. Trade and other short-term receivables

	31 December 2022	31 December 2021
Trade receivables from related parties	20,130	13,741
Trade receivables from third parties	36,317	20,722
Total trade receivables	**56,447**	**34,463**
Other receivables from third parties	44	38
Advances for deliveries	4,760	-
Advances paid to other entities	34	175
Prepayments and deferred costs	887	948
Total gross receivables	**62,172**	**35,624**
Impairment write-downs of doubtful trade receivables	(1,950)	(1,986)
Impairment write-downs of other receivables	(36)	(36)
Total net receivables	**60,186**	**33,602**

The Company 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 2.12. The average repayment period of receivables is 36 days.

Changes in gross trade receivables are summarized in table below:

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

	Receivables analysed in group	Receivables analysed individually	Total
As at 1 January 2022	**32,763**	**1,700**	**34,463**
Increase due to sales	682,297	-	682,297
Interest and litigation costs	1	(1)	-
Receivables written off	-	(50)	(50)
Receivables classified individually as irrecoverable	(8)	8	-
Collected receivables	(657,821)	(6)	(657,827)
Compensated receivables	(943)	-	(943)
Other changes, including currency translation differences	(1,489)	(4)	(1,493)
As at 31 December 2022	**54,800**	**1,647**	**56,447**

Changes in the write-downs of trade receivables are presented in the table below:

	2022	2021
As at 1 January	**1,986**	**2,051**
Increase	12	-
Utilisation	(48)	-
Reversal	-	(65)
As at 31 December	**1,950**	**1,986**

Collaterals established on receivables are described in note 17.

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

31 December 2022	Total	Not overdue	0-30 days	31-60 days	61-90 days	over 90 days
Gross trade receivables as at 31 December 2022	**56,447**	**52,914**	**1,646**	**125**	**101**	**1,661**
Group analysis – gross value	54,800	52,914	1,646	125	101	14
Expected credit loss ratio		0,5%-5%	1%-10%	5%-25%	10%-50%	20%-100%
Expected credit losses	(307)	(256)	(21)	(7)	(13)	(10)
Individual analysis – gross value	1,647	-	-	-	-	1,647
Impairment loss on individual customers	(1,643)	-	-	-	-	(1,643)
Total expected credit losses	**(1,950)**	**(256)**	**(21)**	**(7)**	**(13)**	**(1,653)**
Total net trade receivables	**54,497**	**52,658**	**1,625**	**118**	**88**	**8**

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

31 December 2021	Total	Not overdue	0-30 days	31-60 days	61-90 days	over 90 days
Gross trade receivables as at 31 December 2021	**34,463**	**30,968**	**1,768**	**37**	**5**	**1,685**
Group analysis – gross value	32,766	30,968	1,768	37	5	(12)
Expected credit loss ratio		1%-5%	2%-10%	5%-25%	10%-50%	20%-100%
Expected credit losses	(323)	(261)	(52)	(2)	(4)	(4)
Individual analysis – gross value	1,697	-	-	-	-	1,697
Impairment loss on individual customers	(1,664)	-	-	-	-	(1,664)
Total expected credit losses	**(1,987)**	**(261)**	**(52)**	**(2)**	**(4)**	**(1,668)**
Total net trade receivables	**32,476**	**30,707**	**1,716**	**35**	**1**	**17**

The individual analysis is carried out in relation to customers for which indicators described in the policy in note 2.12 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).

13. Cash and cash equivalents

	31 December 2022	31 December 2021
Cash in hand and at bank	1,386	1,229
Total cash and cash equivalents	**1,386**	**1,229**

Apart from cash disclosed in the statement on financial position, the 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 2022, these funds amounted to PLN 1 thousand and as at 31 December 2021 to PLN 50 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 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 2022, the cash balance in these VAT accounts totalled PLN 1,141 thousand (31 December 2021: PLN 570 thousand). According to the Management Board's judgment, restrictions on the use 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 its short-term liabilities.

Apart from the VAT and ZFŚS funds, as at 31 December 2022 and 31 December 2021, the Company did not have any cash of limited disposability.

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

14. Additional explanation to cash flow statement

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

		Adjustments		
12 months ended 31 December 2022	**Balance sheet change**	**Measurement of cash in foreign currencies**	**Actuarial gains/losses recognised in comprehensive income**	**Change in statement of cash flows**
Change in trade and other receivables	(26,584)	-	-	(26,584)
Change in inventories	37,690	-	-	37,690
Change in provisions	72	-	-	72
Change in trade and other payables	(16,144)	3	-	(16,141)
Change in employee benefit liabilities	(250)	-	168	(82)
Change in cash	157	-		157

		Adjustments		
12 months ended 31 December 2021	**Balance sheet change**	**Measurement of cash in foreign currencies**	**Actuarial gains/losses recognised in comprehensive income**	**Change in statement of cash flows**
Change in trade and other receivables	2,577	-	-	2,577
Change in inventories	(103,529)	-	-	(103,529)
Change in provisions	(9)	-	-	(9)
Change in trade and other payables	10,085	-	-	10,085
Change in employee benefit liabilities	1,620	-	(19)	1,601
Change in cash	645	-		645

15. Share capital

As at 31 December 2022, 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 2022, 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%
Other - 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%**

16. Retained earnings and dividend per share

On 28 June 2022, the General Meeting of Shareholders of Toya S.A. approved TOYA's financial statements for 2021, and also decided to transfer the profit for 2021 in the amount of PLN 63,243 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 Company – PLN 2,501 thousand as at 31 December 2022. These statutory reserve funds are exempt from distribution among shareholders and may only be used to cover losses. As at 31 December 2022 and 31 December 2021, the supplementary capital was created in the required amount.

The retained earnings as at 31 December 2022 represent result for the current year, supplementary capital created from the Company's profits from previous years and may be allocated to dividends, in addition to the amount excluded from the distribution indicated in the paragraph above.

Dividend paid per share:

	12 months ended 31 December 2022	12 months ended 31 December 2021
Dividend paid	-	21,762
Number of ordinary shares ('000)	75,042	75,042
Dividend per share (PLN)	**-**	**0.29**

Management Board of the Company did not provide recommendation on 2022 profit distribution.

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

17. Loans and borrowings liabilities

	31 December 2022	31 December 2021
Bank loan liabilities, including	**82,167**	**96,953**
– long-term	17,143	10,049
– short-term	65,024	86,904

Changes in bank loans are presented in the table below:

	Revolving bank loans	Non-revolving bank loans	Bank loans TOTAL
As at 1 January 2021	**27,141**	**4,360**	**31,501**
Increase in loans	46,264	19,087	65,351
Interest for the period (note 27)	297	163	460
Interest repaid	(247)	(112)	(359)
As at 31 December 2021	**73,455**	**23,498**	**96,953**
Increase in loans	-	16,554	16,554
Interest for the period (note 27)	6,150	2,004	8,154
Interest repaid	(6,001)	(1,818)	(7,819)
Loans repaid	(31,675)		(31,675)
As at 31 December 2022	**41,929**	**40,238**	**82,167**
– long-term	-	17,143	17,143
– short-term	41,929	23,095	65,024

(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 2022	Amount outstanding as at 31 December 2022 (*)	Amount outstanding as at 31 December 2021 (*)	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	29,310	WIBOR 1 M + bank's margin	15 December 2023
2. Overdraft credit facility agreement No 09/030/19/Z/VV	mBank S.A. with its registered office in Warsaw	60,000	18,991	30,453	WIBOR 1 T + bank's margin	30 March 2023
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	13,692	WIBOR 1 M + bank's margin	15 November 2023
4. Non-revolving loan agreement no WAR/8833/20/327/CB	BNP Paribas Bank Polska S.A. with its registered office in Warsaw	40,000	40,238(**)	23,498	WIBOR 3 M + bank's margin	30 September 2024
Total liabilities, of which:		**195,000**	**82,167**	**96,953**		
– short-term portion		177,857	65,024	86,904		
– long-term portion		17,143	17,143	10,049		

(*) the amount used is presented together with interest due and not repaid as at 31 December 2022 and 2021

(**) 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 2022, 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 contract). The book value of mortgaged assets was PLN 10,359 thousand as at 31 December 2022 (PLN 10,541 thousand as at 31 December 2021). The value of the assignment of receivables in the amount of PLN 46,111 thousand (PLN 19,281 thousand as at 31 December 2021) was determined at the book value of the collateral.

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 has undertaken not to provide loans or guarantees to third parties without the prior consent of the bank throughout the term of the loan.

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 2022, the weighted average cost of loans (excluding commissions) was 8.99% (as at 31 December 2021: 2.88%).

Defaults under loan agreements

As at 31 December 2022, the Company 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 require the borrower to maintain its capitalisation and debt ratios at an agreed level throughout the lending period. If the condition of maintaining the ratios at the level specified by the bank is not met, the bank has the right to terminate the loan agreements.

The Company 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)

18. Trade and other payables

	31 December 2022	31 December 2021
Trade payables to related parties	1,196	2,780
Trade payables to third parties	12,008	29,951
Total trade payables	**13,204**	**32,731**
Tax liabilities	8,852	4,675
Liability due to expected goods returns	146	910
Prepayments received	427	460
Other payables to third parties	35	29
Total other current payables	**9,460**	**6,074**
Total	**22,664**	**38,805**

Advances received represent contractual obligations in accordance with IFRS 15.

An average payables payment period is 14 days.

During the year ended 31 December 2022, the Company recognized revenues in the amount of PLN 460 thousand, which were classified as prepayments at the beginning of the period.

19. Liabilities from employee benefits

	31 December 2022	31 December 2021
Provisions for retirement benefits, disability pensions and for death benefits	566	678
Liabilities from employee benefits – non-current portion	**566**	**678**
Provisions for retirement benefits, disability pensions and for death benefits	69	46
Payroll liabilities	5,449	5,804
Unused holidays	1,746	1,552
Liabilities from employee benefits – current portion	**7,264**	**7,402**

The 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 and death benefits as at 31 December 2022 and 31 December 2021 was estimated by an actuary. The basic assumptions were as follows:

Assumptions	**31 December 2022**	**31 December 2021**
Discount rate (risk-free rate)	6.73%	3.92%
Growth rate of remunerations		
- in the first year	9.00%	7.00%
- in the second year	7.00%	5.50%
- in the subsequent years	5.00%	3.50%
Discount rate (risk-free rate)	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 2022	31 December 2021
Current value of liability as at 1 January	**724**	**650**
current service cost	69	63
net interest on net liability	28	10
actuarial gains or losses, including resulting from:	(168)	19
changes in demographic assumptions	*18*	*63*
changes in financial assumptions	*(169)*	*(94)*
ex post adjustments of actuarial assumptions	*(17)*	*50*
benefits paid	(18)	(18)
Current value of liability as at 31 December	**635**	**724**

Total expenses recognised in profit or loss in respect of future employee benefits amounted to PLN 97 thousand in 2022 and PLN 73 thousand in 2021 and were recognised in administrative expenses. Actuarial losses incurred in 2022 amounted to PLN 168 thousand (in 2021: PLN 19 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 2022 are as follows:

Assumption	Changes in the assumption	Increase in the assumption	Decrease in the assumption
technical discount rate	1%	(31)	34
salary rise in the Company	1%	71	(62)
turnover ratio	1%	(27)	29

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	58	8	14	9	65	2,790
disability pension	3	3	3	3	2	36
death benefit	12	14	16	18	17	728
total	**73**	**25**	**33**	**30**	**84**	**3,554**

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

20. Lease liabilities

The Company 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:

	2022	2021
Lease liability as at 1 January	**13,664**	**14,528**
New lease contracts	-	5,584
Modification of the terms of the contract	5,138	33
Settlement of completed contracts	-	(2)
Accrued interest	723	455
Lease payments (*)	(7,548)	(6,869)
Valuation of contracts in foreign currencies and currency translation differences	68	(65)
Lease liability as at 31 December	**12,045**	**13,664**

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

Undiscounted future cash flows are presented below.

	31 December 2022	31 December 2021
up to 1 year	7,207	7,320
1–3 years	3,977	3,949
3–5 years	399	1,411
more than 5 years	4,004	4,124
Total	**15,587**	**16,804**

The costs resulting from lease contracts are presented below.

	2022	2021
Amortization and depreciation	6,372	6,024
Interest	722	454
Exchange rate differences	69	(65)
Total	**7,163**	**6,413**

During the year ended 31 December 2022, the Company incurred costs in connection with the short-term lease agreements in the amount of PLN 18 thousand and low-value lease agreements in the amount of PLN 31 thousand.

Total cash outflow from leases in 2022 amounted to PLN 7,597 thousand (excluding VAT).

Information on leased assets is presented in note 9.

The maturity analysis of lease liabilities is presented in note 5.3.

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

21. Provisions

Provision for warranty repairs	2022	2021
As at 1 January	**1,051**	**1,060**
Provision created	1,123	1,051
Provision utilized	(1,051)	(1,060)
As at 31 December	**1,123**	**1,051**
Short-term as at 31 December	1,123	1,051

The provision for guarantee repairs is created in accordance with the policy described in note 2.20. 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 for resale sold".

22. Operating segments

Identification of operating and reporting segments

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

The company distinguishes 4 operating and reporting segments in its operations:
– sales on the domestic market to retail chains;
– sale on the domestic market - wholesale market;
– foreign 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, authorised retail stores and sales representatives. Foreign markets are supported using sales department of the Company. As part of retail sales, sales are mainly realized through an online store and popular online platforms. There are no revenues obtained from transactions between the segments, therefore all revenues generated by individual segments come from transactions with external customers.

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

In 2022 and in 2021 the Company did not record revenue from sale to a single external customer exceeding 10% of total sales revenue.

As at 31 December 2022, the Company's assets amounted to PLN 417,402 thousand (31 December 2021: PLN 409,914 thousand), and the Company's liabilities amounted to PLN 125,861 thousand (31 December 2021: 164,578 thousand) and were related only to trading activities. The Management Board of the Company does not analyse the assets and liabilities of the Company broken down into individual segments.

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

The Company has no non-current assets located abroad.

The most important geographic export directions of the Company are disclosed in note 23.

12 months ended 31 December 2022	***EXPORT SALES***	***WHOLESALE MARKET***	***RETAIL NETWORKS***	***RETAIL SALES***	**Total**
Sales revenue					
Sales to external customers	218,606	259,657	69,098	46,949	594,310
Total segment revenue	**218,606**	**259,657**	**69,098**	**46,949**	**594,310**
Cost of goods sold					
Sales to external customers	(163,591)	(193,900)	(49,377)	(27,653)	(434,521)
Total costs of goods sold	**(163,591)**	**(193,900)**	**(49,377)**	**(27,653)**	**(434,521)**
Gross profit	**55,015**	**65,757**	**19,721**	**19,296**	**159,789**
Gross profit margin	**25%**	**25%**	**29%**	**41%**	**27%**

12 months ended 31 December 2021	***EXPORT SALES***	***WHOLESALE MARKET***	***RETAIL NETWORKS***	***RETAIL SALES***	**Total**
Sales revenue					
Sales to external customers	206,937	227,498	71,063	37,600	543,098
Total segment revenue	**206,937**	**227,498**	**71,063**	**37,600**	**543,098**
Cost of goods sold					
Sales to external customers	(158,610)	(153,979)	(50,105)	(20,955)	(383,649)
Total costs of goods sold	**(158,610)**	**(153,979)**	**(50,105)**	**(20,955)**	**(383,649)**
Gross profit	**48,327**	**73,519**	**20,958**	**16,645**	**159,449**
Gross profit margin	**23%**	**32%**	**29%**	**44%**	**29%**

23. Sales revenue

	12 months ended 31 December 2022	**12 months ended 31December 2021**
Sales of goods for resale	594,310	543,098
Total sales revenue	**594,310**	**543,098**

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

The geographical structure of revenues from sales has been presented below.

	12 months ended 31 December 2022		12 months ended 31 December 2021	
	Sales revenue	**Share**	**Sales revenue**	**Share**
Romania	54,092	9.1%	48,120	8.9%
Ukraine	26,128	4.4%	26,919	5.0%
Baltic countries	22,399	3.8%	22,145	4.1%
Hungary	21,096	3.6%	17,213	3.2%
Belarus	18,419	3.1%	17,673	3.3%
Moldova	11,825	2.0%	9,151	1.7%
Czech Republic	11,193	1.9%	13,434	2.5%
Bulgaria	9,348	1.6%	10,212	1.9%
Russia	7,335	1.2%	7,116	1.3%
Greece	7,016	1.2%	4,604	0.8%
Germany	6,641	1.1%	9,073	1.7%
Europe – other EU countries	10,965	1.8%	12,708	2.3%
Europe – other non-EU countries	8,991	1.5%	6,840	1.3%
Other continents	3,158	0.5%	1,729	0.3%
Total export	218,606	36.8%	206,937	38.1%
Poland	375,704	63.2%	336,161	61.9%
Total sales revenue	**594,310**	**100.0%**	**543,098**	**100.0%**

24. Costs by type and cost of goods sold

	12 months ended 31 December 2022	12 months ended 31 December 2021
Amortisation and depreciation	9,276	8,782
Material and energy consumption	7,100	5,588
Third-party services, including:	28,141	21,718
costs of transportation	*8,080*	*7,003*
warehouse services	*3,602*	*162*
service charges for space lease agreements	*2,651*	*2,093*
IT and telecommunications costs	*2,230*	*2,150*
costs of accessing online sales platforms	*6,490*	*4,028*
legal, audit and consulting costs	*1,892*	*1,832*
other external services	*3,196*	*4,450*
Taxes and fees	1,762	1,406
Costs of employee benefits	43,459	40,255
Other costs by type	4,595	2,523
Value of goods for resale and materials sold	434,521	383,649
Total costs by type and value of goods for resale sold	**528,854**	**463,921**
Selling costs, including:	73,143	61,429
amortisation and depreciation	*7,601*	*7,374*
costs of employee benefits	*28,550*	*26,526*
Administrative expenses, including:	21,190	18,843
amortisation and depreciation	*1,675*	*1,408*
costs of employee benefits	*14,909*	*13,729*
Cost of goods for resale sold	434,521	383,649
Total selling, administrative costs and costs of goods sold	**528,854**	**463,921**

The Company does not conduct important R&D works.

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

25. Cost of employee benefits

	12 months ended 31 December 2022	12 months ended 31 December 2021
Salaries for employment contracts and appointment contracts	32,985	30,903
Wages of temporary workers	2,705	2,693
Cost of social insurance	6,233	5,651
Cost of provision for unused leaves	194	151
Cost of provision for retirement benefits	79	56
Cost of retirement and similar benefits paid	18	17
Cost of other employee benefits	1,245	784
Total employee benefit costs	**43,459**	**40,255**

Information on the number of employees is presented below:

	12 months ended 31 December 2022	12 months ended 31 December 2021
Average number of employees per full-time equivalent	324	299
Persons employed at the end of the year	330	301

26. Other operating revenue and expenses

OTHER OPERATING REVENUE	12 months ended 31 December 2022	12 months ended 31 December 2021
Surplus of FX gains over FX losses on operating activities	1,023	137
Revenue from other sales	229	106
Compensations received	14	65
Interest received	-	25
Gain on sale of property, plant and equipment	29	41
Damages on balance with received compensation	-	8
Other operating revenue	68	52
Total other operating revenue	**1,364**	**434**

OTHER OPERATING EXPENSES	12 months ended 31 December 2022	12 months ended 31 December 2021
Cost of other sales	281	179
Penalties and fines paid	1	1
Court and debt recovery fees	38	12
Donations given	55	5
Receivables written-off	1	3
Other	10	75
Total other operating expenses	**386**	**275**

27. Financial revenues and expenses

FINANCIAL REVENUE	12 months ended 31 December 2022	12 months ended 31 December 2021
Other financial revenue	3	3
Total financial revenue	**3**	**3**

FINANCIAL EXPENSES	12 months ended 31 December 2022	12 months ended 31 December 2021
Interest and commissions on loans	8,154	461
Cost of discounting long-term liabilities	-	97
Interest on lease liabilities	723	455
Total financial expenses	**8,877**	**1,013**

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

28. Income tax

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

- from 1 January 2022 to 31 December 2022;
- from 1 January 2021 to 31 December 2021.

	12 months ended 31 December 2022	12 months ended 31 December 2021
Current tax	11,654	15,008
Deferred tax	(176)	141
Total income tax	**11,478**	**15,149**

A 19% corporate income tax rate was applicable in all the aforementioned periods.

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 2022	12 months ended 31 December 2021
Profit before tax	57,547	78,391
Tax rate applicable in the period	19%	19%
Tax calculated at the applicable tax rate	**10,934**	**14,895**
Tax effect of the following items:		
- permanent tax differences – costs	209	254
- temporary differences for which assets have not been created	345	-
- tax relating to the previous period	(10)	-
Tax shown in the profit and loss account	**11,478**	**15,149**

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. In Poland, no formal procedures are present for the determination of the final amount of tax due. Tax declarations can be audited over a period of five years.

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 Company 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 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	-	2,444	(2,444)	(2,683)	239
Current assets					
Write-down of inventories	407	-	407	263	144
Asset for expected returns	-	17	(17)	(102)	85
Write-down of receivable	369	-	369	377	(8)
Balance-sheet valuation of receivables denominated in foreign currencies	225	-	225	(61)	286
Long-term liabilities					
Liabilities from finance leases	1,044	-	1,044	1,263	(219)
Provision for retirement benefits	108	-	108	129	(21)
Financial guarantees granted	6	-	6	7	(1)
Short-term liabilities					
Provisions for liabilities	161	-	161	419	(258)
Balance-sheet valuation of short-term liabilities	-	6	(6)	(16)	10
Provisions for unused vacation and bonuses	1,344	-	1,344	1,387	(43)
Accrued interest	85	-	85	21	64
Lease liabilities	1,245	-	1,245	1,333	(88)
Provisions for guarantee repairs	213	-	213	200	13
Total deferred income tax, of which	**5,207**	**3,253**	**1,954**	**1,810**	**144**
- recognised in profit or loss					176
- recognised in equity (*)					(32)

(*) applies to deferred tax from actuarial losses recognised in other comprehensive income

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

As at 31 December 2021	Assets	Liabilities	Net	As at 1 January 2021 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	-	727	(727)	(681)	(46)
Right-of-use assets	-	2,683	(2,683)	(2,761)	78
Current assets					
Write-down of inventories	263	-	263	305	(42)
Asset for expected returns	-	102	(102)	(220)	118
Write-down of receivable	377	-	377	389	(12)
Balance-sheet valuation of receivables denominated in foreign currencies	(61)	-	(61)	12	(73)
Long-term liabilities					
Balance-sheet valuation of long-term liabilities	1,263	-	1,263	1,713	(450)
Liabilities from finance leases	129	-	129	120	9
Provision for retirement benefits	7	-	7	7	-
Financial guarantees granted					
Short-term liabilities	419	-	419	792	(373)
Provisions for liabilities	-	16	(16)	(65)	49
Balance-sheet valuation of short-term liabilities	1,387	-	1,387	1,086	301
Provisions for unused vacation and bonuses	21	-	21	2	19
Accrued interest	1,333	-	1,333	1,047	286
Lease liabilities	200	-	200	201	(1)
Total deferred income tax, of which	**5,338**	**3,528**	**1,810**	**1,947**	**(137)**
- recognised in profit or loss					(141)
- recognised in equity (*)					4

(*) applies to deferred tax from actuarial losses recognised in other comprehensive income

Of the above-reported value of net deferred tax assets, the amount of PLN 374 thousand (provision) concerns items that the Company expects to realise over a period exceeding 12 months.

There are no significant temporary differences and tax losses for which no assets have been created.

29. Earnings per share

	12 months ended 31 December 2022	12 months ended 31 December 2021
Net profit	**46,069**	**63,242**
Weighted average number of ordinary shares issued ('000)	75,042	75,042
Weighted average number of ordinary shares	**75,042**	**75,042**
Basic earnings per share (PLN)	**0.61**	**0.84**
Earnings per share attributable to ordinary shareholders, used to calculate diluted earnings per share	**46,069**	**63,242**
Weighted average number of issued ordinary shares, applied to calculate basic earnings per share	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 (PLN)	**0.61**	**0.84**

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 2022 and 2021, the Company had no dilutive factors.

30. Financial guarantees granted and received

As at 31 December 2022, the Company was party 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 439,133	28 February 2023 (*)
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

(*) after the end of the financial year, the guarantee was extended until 28 February 2024, for the amount of EUR 482,640.52

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.

The guarantee was measured at fair value.

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

31. Transactions with related entities

In 2022 and 2021, the Company effected transactions with the following related parties:

- Toya Romania SA – subsidiary,
- Yato Tools (Shanghai) Co., Ltd. – subsidiary,
- Yato Tools (Jiaxing) Co., Ltd. – subsidiary,
- 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 from 27.02.2022 – 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 2022 and 31 December 2021, there were no indications of impairment and therefore 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 of the Company 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:

	2022	2021
Remunerations and benefits under employment contracts and appointment contracts - Management Board	3,167	2,497
Social insurance (ZUS) costs borne by the Company - Management Board	38	9
Remunerations for positions held - Supervisory Board	612	612
Social insurance (ZUS) costs borne by the Company - Supervisory Board	102	103
Employee Capital Plans (PPK) financed by the Company	6	6

The dividend paid to key management personnel is presented below:

	2022	2021
Management Board	-	61
Supervisory Board	-	9,110

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	Liabilities due to purchase of shares	Revenue from sales of goods and services and other revenues	Purchase of goods and services
	31.12.2022			1.01.2022 - 31.12.2022	
Subsidiaries	20,128	4,760	1,196	54,274	223,280
TOYA Romania S.A.	*20,106*	-	-	*54,269*	-
Yato Tools (Shanghai) Co. Ltd.	-	-	-	*5*	*24,604*
Yato Tools (Jiaxing) Co. Ltd.	*22*	4,760	1,196	-	*198,676*
Entities related through key management personnel	2	-	-	86	-
Total	**20,130**	**4,760**	**1,196**	**54,360**	**223,280**
	31.12.2021			1.01.2021 - 31.12.2021	
Subsidiaries	13,740	-	2,780	48,220	291,524
TOYA Romania S.A.	*13,740*	-	-	*48,210*	-
Yato Tools (Shanghai) Co. Ltd.	-	-	-	*10*	*20,148*
Yato Tools (Jiaxing) Co. Ltd.	-	-	*2,780*	-	*271,376*
Entities related through key management personnel	1	-	-	48	-
Total	**13,741**	**-**	**2,780**	**48,268**	**291,524**

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

32. Material events subsequent to the end of reporting period

32.1 Change in the composition of the Audit Committee

On 2 January 2023, the Supervisory Board made the following changes to the composition of the Audit Committee:

1. Supervisory Board dismissed from the Audit Committee of TOYA S.A. the following members:

- Mr. Piotr Mondalski
- Mr. Jan Szmidt
- Mr. Grzegorz Maciąg

2. Supervisory Board appointed to the Audit Committee of TOYA S.A. the following member:

- Mr. Wojciech Papierak
- Mr. Michał Kobus

At the same time, the Supervisory Board entrusted the function of the Chairman of the Audit Committee to Mr. Wojciech Papierak.

After the above-mentioned changes, the Audit Committee of TOYA S.A. consists of the following persons:

1. Mr. Wojciech Papierak - Chairman of the Audit Committee;
2. Mr. Michał Kobus – Member of the Audit Committee;
3. Mr. Dariusz Górka – Member of the Audit Committee.

Management Board of Toya S.A

Date	Name and surname	Position	Signature
23.03.2023	Grzegorz Pinkosz	President of the Management Board	
23.03.2023	Maciej Lubnauer	Vice-President of the Management Board	
23.03.2023	Robert Borys	Vice-President of the Management Board	

Person responsible for bookkeeping:

Date	Name and surname	Position	Signature
23.03.2023	Iwona Banik	Chief Accountant	