TOYA S.A. Capital Group

Consolidated financial statements

for the year ended 31 December 2019

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Consolidated statement of financial position

		31 December 2019	31 December 2018
ASSETS	**Note**		
Non-current assets			
Property, plant and equipment	**Błąd! Nie można odnaleźć źródła odwołania.**	21,843	23,420
Intangible assets	**Błąd! Nie można odnaleźć źródła odwołania.**	3,591	3,019
Right-of-use assets	10	21,738	-
Goodwill	**Błąd! Nie można odnaleźć źródła odwołania.**	713	717
Other receivables and prepaid expenses	12	47	405
Deferred income tax assets	**Błąd! Nie można odnaleźć źródła odwołania.**	2,980	2,952
		50,912	30,513
Current assets			
Inventory	**Błąd! Nie można odnaleźć źródła odwołania.**	232,738	226,252
Trade and other receivables and prepaid expenses	**Błąd! Nie można odnaleźć źródła odwołania.**	75,504	74,201
Cash and cash equivalents	15	17,460	15,147
		325,702	315,600
Total assets		**376,614**	**346,113**
EQUITY AND LIABILITIES			
Equity per shareholders of the parent company			
Share capital	**Błąd! Nie można odnaleźć źródła odwołania.**	7,504	7,504
Share premium		35,677	35,677
Reserve capital	**Błąd! Nie można odnaleźć źródła odwołania.**	16,034	329
Other comprehensive income		(1,037)	58
Result on transactions with non-controlling interests		(6,270)	(6,270)

Retained earnings	18	176,521	147,401
Total equity		**228,429**	**184,699**
Long-term liabilities			
Lease liabilities	**Błąd! Nie można odnaleźć źródła odwołania.**	17,995	2,421
Liabilities from employee benefits	21	519	402
Other long-term liabilities		39	-
		18,553	2,823
Short-term liabilities			
Trade and other payables	20	59,982	64,464
Liabilities from employee benefits	21	7,490	7,036
Liabilities from loans	19	54,705	82,045
Lease liabilities	**Błąd! Nie można odnaleźć źródła odwołania.**	3,518	807
Liabilities from current income tax	**Błąd! Nie można odnaleźć źródła odwołania.**	2,724	3,039
Provisions	**Błąd! Nie można odnaleźć źródła odwołania.**	1,213	1,200
		129,632	158,591
Total liabilities		148,185	161,414
Total equity and liabilities		**376,614**	**346,113**

Consolidated statement of profit or loss and other comprehensive income

	Note	12 months ended 31 December 2019	2018
Revenue from sales of goods	Błąd! Nie można odnaleźć źródła odwołania., Błąd! Nie można odnaleźć źródła odwołania.	440,018	380,739
Cost of goods and materials sold	26	(281,800)	(240,248)
Gross sales profit		**158,218**	**140,491**
Selling costs	26	(77,962)	(66,099)
Administrative expenses	26	(21,011)	(20,072)
Expected credit losses (*)		(1,751)	(970)
Other operating revenue	28	1,275	2 742
Other operating expenses	28	(541)	(663)
Operating profit		**58,228**	**55,429**
Financial revenue	29	82	68
Financial expenses	29	(2,123)	(1,022)
Profit before tax		**56,187**	**54,474**
Income tax	Błąd! Nie można odnaleźć źródła odwołania.	(11,362)	(10,708)
Net profit		**44,825**	**43,767**
Foreign operations currency translation differences		(995)	1,105
Actuarial gains or losses		(124)	(56)
Income tax on other comprehensive income		24	11
Other net comprehensive income		**(1,095)**	**1,060**
Net comprehensive income for the financial year		**43,730**	**44,827**
Net profit for the year attributable to:			
Shareholders of the parent company		44,825	43,767
Non-controlling interests		-	-
Comprehensive income for the year attributable to:			
Shareholders of the parent company		43,730	44,827
Non-controlling interests		-	-
Other comprehensive income attributable to:			

Shareholders of the parent company		(1,095)	1,060
Non-controlling interests		-	-
Basic/diluted earnings per share (PLN)	31	**0.60**	**0.58**

(*) due to the increase in significance, the item "Expected credit losses" was separated from the item "Selling costs" in 2019

Consolidated statement of changes in equity

	Attributable to shareholders of the parent company							
	Share capital	Share premium	Own shares	Reserve capital	Other comprehensive income	Result on transactions with non-controlling interests	Retained earnings	Total equity
As at 1 January 2019	**7,504**	**35,677**	**-**	**329**	**58**	**(6,270)**	**147,401**	**184,699**
Total comprehensive income								
Net profit	-	-	-	-	-	-	44,825	44,825
Other comprehensive income								
Actuarial gains or losses	-	-	-	-	(124)	-	-	(124)
Income tax on other comprehensive income	-	-	-	-	24	-	-	24
Foreign operations currency translation differences		-	-	-	(995)	-	-	(995)
Total comprehensive income	**-**	**-**	**-**	**-**	**(1,095)**	**-**	**44,825**	**43,730**
Transactions with owners								
Creation of reserve capital for the purchase of own shares	-	-	-	15,705	-	-	(15,705)	-
Total transactions with owners	**-**	**-**	**-**	**15,705**	**-**	**-**	**(15,705)**	**-**
As at 31 December 2019	**7,504**	**35,677**	**-**	**16,034**	**(1,037)**	**(6,270)**	**176,521**	**228,429**

	Share capital	Share premium	Own shares	Reserve capital	Other comprehensive income	Result on transactions with non-controlling interests	Retained earnings	Total equity
As at 1 January 2018	**7,833**	**35,677**	**(29,433)**	**26**	**(1,002)**	**(6,270)**	**168,392**	**175,223**
Adjustment resulting from adoption of IFRS 9 (including tax effect)	-	-	-	-	-	-	**(81)**	**(81)**
As at 1 January 2018 (restated)	**7,833**	**35,677**	**(29,433)**	**26**	**(1,002)**	**(6,270)**	**168,311**	**175,142**
Total comprehensive income								
Net profit	-	-	-	-	-	-	43,767	43,767
Other comprehensive income								
Actuarial gains or losses	-	-	-	-	(56)	-	-	(56)
Income tax on other comprehensive income	-	-	-	-	11	-	-	11
Foreign operations currency translation differences		-	-	-	1,105	-	-	1,105
Total comprehensive income	**-**	**-**	**-**	**-**	**1,060**	**-**	**43,767**	**44,827**
Transactions with owners								
Settlement of unused reserve capital for the buyback of own shares	-	-	-	(26)	-	-	26	-
Redemption of own shares	(329)	-	29,433	329	-	-	(29,433)	-
Dividend paid	-	-	-	-	-	-	(35,270)	**(35,270)**
Total transactions with owners	**(329)**	**-**	**29,433**	**303**	**-**	**-**	**(64,677)**	**(35,270)**
As at 31 December 2018	**7,504**	**35,677**	**-**	**329**	**58**	**(6,270)**	**147,401**	**184,699**

Consolidated cash flow statement

	Note	12 months ended 31 December	
		2019	**2018**
Cash flows from operating activities			
Profit before tax		**56,187**	**54,474**
Adjustments for:			
Amortization and depreciation	26	6,976	4,451
Net interest	29	2,003	954
Profit/Loss on investing activities	28	(57)	58
Foreign exchange gains/losses		2	-
Costs of the financial guarantee provided		38	-
Changes in balance sheet items:			
Change in trade and other receivables	15	(1,624)	(9,289)
Change in inventories	15	(6,892)	(62,500)
Change in provisions	15	21	813
Change in trade and other payables	15	(3,160)	15,979
Change in employee benefit liabilities	15	476	626
Income tax paid		(11,766)	(12,272)
Net cash from operating activities		**42,204**	**(6,704)**
Cash flows from investing activities			
Sale of property, plant and equipment		58	158
Purchases of property, plant and equipment and intangible assets		(6,984)	(3,944)
Interest received		82	68
Net cash from investing activities		**(6,844)**	**(3,718)**
Cash flows from financing activities			
Proceeds from loans		17,803	53,514
Repayments of loans		(45,117)	-
Repayment of lease liabilities		(3,426)	(858)
Interest paid on loans		(1,683)	(897)
Interests paid on leases		(369)	(84)
Dividends paid		-	(35,270)
Net cash from financing activities		**(32,792)**	**16,405**
Net change in cash		**2,568**	**5,983**
Cash and cash equivalents at the beginning of the period	15	15,147	8,907
Result on translation of cash and cash equivalents		(255)	257
Cash and cash equivalents at the end of the period	15	**17,460**	**15,147**

Accounting policy and other explanatory notes

1. General information

TOYA S.A. (the "Company" or the "Parent Company") is a joint stock company established under the Commercial Companies Code. The Company has its registered office in Wrocław at ul. Sołtysowicka 13-15.

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 into the Commercial Register maintained by the District Court for Wrocław-Fabryczna, 6th Commercial Division, under entry No RHB 9053. By virtue of a decision of 5 December 2001, the District Court for Wrocław-Fabryczna, 6th Commercial Division of the National Court Register, entered the Company into the Register of Entrepreneurs under entry No KRS 0000066712.

As at 31 December 2019, TOYA S.A. operates one branch – in Nadarzyn.

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

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

The duration of the Parent Company is unlimited.

In the period from 1 January 2019 to 31 December 2019 and as of the date of approval of these financial statements for publication, the Management Board of the Parent Company composed of the following members:

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

In the period from 1 January 2019 to 31 December 2019 and as of 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 consolidated financial statements of the Group cover the year ended on 31 December 2019 and provide comparative data with regard to the year ended 31 December 2018 and as of 31 December 2018.

These consolidated financial statements of the Group for the year ended 31 December 2019 were approved for publication by the Management Board on 26 March 2020.

2. Capital group structure

As at 31 December 2019, the Group comprised the following entities:

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

3. Summary of significant accounting policies

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

3.1 Basis for preparation

These consolidated financial statements of the Group for the financial year ended 31 December 2019 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and interpretations issued by the International Accounting Standards Board, as adopted by the European Union ("EU").

These consolidated financial statements have been prepared in accordance with IFRS and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which were issued and in effect as at the reporting date, i.e. 31 December 2019.

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

The policies described below have been consistently applied to all the periods presented, except for changes resulting from the application of new or amended IFRS from 1 January 2019, which were described below.

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

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

Going concern

These consolidated financial statements have been prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future. The situation associated with the COVID-19 pandemic in Poland, Europe and other regions of the world may affect the development of the Group's operations and its financial results in the near future, may limit or even prevent its intensive development. As at the date of approval of these consolidated financial statements, the Group carries out sales in accordance with the orders placed, and the level of inventory and stable financial condition ensure the continuity of operations, therefore no facts or circumstances are known that would indicate any threat to the Group companies continuing as going concerns.

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

These consolidated financial statements have been prepared on the basis of the EU IFRS issued and effective as at the reporting date, i.e. 31 December 2019.

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 2019

- **IFRS 16 "Leases"**

IFRS 16 "Leases" is effective for annual periods starting on or after 1 January 2019.
The Group has adopted IFRS 16 from 1 January 2019. The new accounting principles are described in section 3.2.1.

- **IFRIC 23: Uncertainty over Income Tax Treatments**

IFRIC 23 clarifies the rules for recognition and measurements under IAS 12, when there is uncertainty over income tax treatments. It does not apply to taxes or fees that do not fall within the scope of IAS 12, nor does it cover interest and penalty requirements related to the uncertain recognition of income tax. The interpretation in particular addresses:

- whether the entity should consider uncertain tax treatments separately;
- the assumptions the entity makes about the examination of tax treatments by taxation authorities;
- how the entity determines taxable profit (tax strategy), tax bases, unused tax losses, unused tax credits and tax rates;
- how the entity considers changes in facts and circumstances.

An entity must determine whether it considers each uncertain tax treatment separately or in combination with one or more other uncertain tax treatment. An approach should be followed which better provides for resolution of uncertainty.

Interpretation does not have a material impact on the consolidated financial statements of the Group.

- **Amendments to IFRS 9: Prepayment Features with Negative Compensation**

In accordance with IFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows include only principal repayments and interest on the outstanding principal (SPPI criterion) and the instrument is held under appropriate business model for this classification. Amendments to IFRS 9 specify that the financial asset meets the SPPI criterion regardless of the event or circumstance that causes early termination of the contract and regardless of which party pays or receives reasonable compensation for early termination.

The amendments do not have a significant impact on the consolidated financial statements of the Group.

- **Amendments to IAS 19: Plan amendments, curtailments and settlements**

The amendments to IAS 19 specify that in the event of a change, restriction or settlement of the program during the annual reporting period, the entity is required to determine the current cost of the service for the remainder of the period after the change, reduction or settlement of the program, using actuarial assumptions used to re-measure the liability (an asset) net of defined benefits, reflecting the benefits of the plan and plan assets after the event. An entity is also required to determine net interest for the remainder of the period following a change, reduction or settlement of the plan using a defined net benefit obligation (asset) reflecting the benefits of the plan and plan assets after that event and the discount rate used for re-measurement net liability (asset) for defined benefits.

The amendments do not have a significant impact on the consolidated financial statements of the Group.

- **Amendments to IAS 28: Investments in Associates and Joint Ventures**

The amendments specify that the entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method does not apply, but as a rule forms part of the entity's net investment in the associate or joint venture (long-term investments). This explanation is important because it suggests that the expected credit loss model in IFRS 9 applies to such long-term investments.

The amendments also specify that when applying IFRS 9, an entity does not take into account losses of an associate or joint venture or any losses due to impairment of net investment in an associate or joint venture that result from the application of IAS 28 *Investments in associates*.

The amendments do not have a significant impact on the consolidated financial statements of the Group.

- **Annual Improvements to IFRSs 2015-2017**

i. **IFRS 3: Business combinations**

The amendments clarify that when an entity gains control over an entity that is a joint operation, it applies the requirements for the business combination in stages, including the re-measurement of previously owned interests in the joint operation at fair value. In this way, the acquirer re-measures all previously held interests in the joint operation.

These changes do not have a significant impact on the interim condensed consolidated financial statements of the Group.

ii. **IFRS 11: Joint arrangements**

The amendments specify that a party that participates in a joint arrangement, but does not exercise joint control over it, may obtain joint control over the joint arrangement in which the operation of the joint arrangement constitutes a business, as defined in IFRS 3. In such cases, previously held interests in the joint arrangements are not subject to re-valuation.

These changes do not have a significant impact on the interim condensed consolidated financial statements of the Group.

iii. **IAS 12: Income taxes**

The amendments specify that the tax consequences of dividend payments are more directly related to past transactions or events, that led to distributable profits, than to payments to owners. Therefore, the entity recognizes the tax consequences of dividend payments in profit or loss, other comprehensive income or equity, depending on where the entity recognized these past transactions or events.

These changes do not have a significant impact on the interim condensed consolidated financial statements of the Group.

iv. **IAS 23: Borrowing costs**

The amendments specify that the entity treats all loans, originally contracted to produce a qualifying asset, as part of general loans when, in principle, all the activities necessary to prepare the asset for its intended use or sale are completed.

These changes do 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 Group

In these consolidated financial statements, the Company decided not to apply in advance the published standards, interpretations and amendments listed below, before their effective date:

- **IFRS 14:** ***Regulatory deferral accounts*** (published on 30 January 2014) - in accordance with the decision of the European Commission, the process of approving the initial version of the standard will not be initiated before the final version of the standard appears - until the date of approval of these financial statements, the standard has not yet been approved by the EU - applicable for annual periods beginning on or after 1 January 2016;
- **Amendments to IFRS 10 and IAS 28** ***concerning sale or contribution of assets between an investor and its associates or joint ventures*** (published on 11 September 2014) - work leading to the approval of these amendments has been postponed by the EU for an indefinite period - the date of entry into force has been postponed by the IASB for an indefinite period;
- **IFRS 17: Insurance contracts** (published on 18 May 2017) - until the date of approval of these financial statements, not approved by the EU - applicable to annual periods beginning on or after 1 January 2021;
- ***Amendments to reference to the Conceptual Framework included in the International Financial Reporting Standards*** (published on 29 March 2018) - applicable to annual periods beginning on or after 1 January 2020;
- **Amendments to IFRS 3:** ***Business combinations*** (published on 22 October 2018) - until the date of approval of these financial statements, not approved by the EU - applicable to annual periods beginning on or after 1 January 2020;
- **Amendments to IAS 1 and IAS 8:** ***Definition of materiality*** (published on 31 October 2018) - applicable to annual periods beginning on or after 1 January 2020;
- **Amendments to IFRS 9, IAS 39 and IFRS 7:** ***Reform of interest rate benchmarks*** (published on 26 September 2019) - applicable to annual periods beginning on or after 1 January 2020;
- **Amendments to IAS 1** ***Presentation of Financial Statements*****:** ***Classification of liabilities as current or non-current*** (published on 23 January 2020) - until the date of approval of these financial statements, not approved by the EU - applicable to annual periods beginning on or after 1 January 2022.

As at the date of drawing up of these consolidated financial statements, The Management Board has not yet completed works on the assessment of the impact of introducing the above standards and amendments to standards on the accounting principles (policy) applied by the Company in relation to the Company's operations or its financial results.

As at the date of approval of these consolidated financial statements for publication, the Management Board does not expect the introduction of other standards and amendments to standards to have a significant impact on the accounting principles (policy) applied by the Company.

3.3 Changes in the accounting policies

Accounting policies applied are consistent with the accounting principles used in preparation of consolidated financial statements for the financial year ended 31 December 2018, with the exception of impact of adoption of new and revised standards, described in note 3.2. New accounting principles applied from 1 January 2019 are summarized below.

3.3.1 Leasing – adoption of IFRS 16

In January 2016, the International Accounting Standards Board issued the International Financial Reporting Standard 16 Leases ("IFRS 16"), which replaced IAS 17 *Leases*, IFRIC 4 *Determining whether an arrangement contains a lease*, SIC 15 *Operating leases – Incentives* and SIC 27 *Evaluating the substance of transactions in the legal form of a lease*. IFRS 16 sets out principles for recognition, measurement, presentation and disclosure of lease.

IFRS 16 introduces a uniform accounting model for lessees and requires that the lessee recognizes the assets and liabilities arising from each lease with a period exceeding 12 months, unless the underlying asset is of low value. At the commencement date, the lessee recognizes a right-of-use asset and a lease liability that reflects its obligation to make lease payments.

The lessee recognizes depreciation of the right-of-use asset and interest on the lease liability separately. The lessee remeasures the lease liability after the occurrence of certain events (e.g. changes with respect to the lease period, changes in future lease payments resulting from a change in the index or the rate used to determine these charges). As a rule, lessee recognizes revaluation of lease liability as an adjustment to the right-of-use asset.

The Group uses the following assets under lease agreements: land (perpetual usufruct right), warehouse and office space, IT equipment, forklift and cars. Before adopting IFRS 16, the Group classified each of the leases (as a lessee), as at the date of the beginning of the lease period, as finance or operating leases. Leasing was classified as financial if substantially all the risks and rewards of ownership of the leased asset were transferred to the Group. Otherwise, the lease was classified as operational lease. Financial leasing was capitalized at the fair value of the subject of the leasing, determined as at the beginning of the leasing period, or in amounts equal to the current value of the minimum lease payment, if it was lower than the fair value. Lease payments were divided between interest (recognized as financial expenses) and reduction of leasing liability. In operating lease agreements, the subject of the contract was not capitalized, and lease payments were recognized as rental expenses in the profit and loss account, using the straight-line method, throughout the lease period.

After adopting IFRS 16, the Group applied one approach to recognition and measurement for all lease contracts in which the Company is a lessee, except for short-term lease and lease of low-value assets. The Group has recognized lease liabilities and right-of-use the underlying asset.

The Group has implemented IFRS 16 using a modified retrospective method, i.e. with the accumulated effect of the first application of the standard recognized on the date of first application. The Group decided to use a practical solution that allows the standard to be applied only to contracts that on the date of first application were identified as lease contracts, in accordance with IAS 17. The Group also decided to take advantage of exemptions from the recognition of lease contracts for which lease period at the start date was 12 months or less and which do not include the purchase option ("short-term lease") and lease contracts for which the underlying asset is of low value (" low-value assets "). In addition, the Group took advantage of the following acceptable practical solutions for leases previously classified as operating leases, in accordance with IAS 17:

- the Group applied one discount rate for the portfolio of lease contracts with similar features;
- the Group applied a simplified approach in relation to lease contracts, for which lease period ends 12 months after the date of first application, resulting in recognizing these leases in accordance with the requirements for short-term lease contracts and presenting the costs related thereto in disclosure covering costs incurred in relation to short-term lease contracts.

As a result of the implementation of IFRS 16, the Group recognized right-of-use assets at a value equal to the lease liabilities, adjusted by the amounts of all prepayments or accrued fees related to these lease contracts, included in the statement of financial position directly before the date of first application. The weighted average discount rate used at the time of the first application of the standard was 3.83%.

3.1.2 Impact of applying the new standards

Impact of first-time adoption of IFRS 16 as of 1 January 2019 has been presented below:

		1 January 2019 Restated	Adjustments resulting from adoption of IFRS 16	31 December 2018 Published
ASSETS	**adjustments**			
Non-current assets				
Property, plant and equipment		19,571	(3,849)	23,420
Intangible assets		3,019	-	3,019
Right-of-use assets		717	-	717
Goodwill		11,443	11,443	-
Other receivables and prepaid expenses		190	(215)	405
Deferred income tax assets		2,952		2,952
		37,892	7,379	30,513
Current assets				
Inventory		226,252	-	226,252
Trade and other receivables and prepaid expenses	(a)	74,198	(3)	74,201
Cash and cash equivalents		15,147	-	15,147
		315,597	(3)	315,600
Total assets		**353,489**	**7,376**	**346,113**
EQUITY AND LIABILITIES				
Equity				
Share capital		7,504	-	7,504
Share premium		35,677	-	35,677
Reserve capital		329	-	329
Other comprehensive income		58	-	58
Result on transactions with non-controlling interests		(6,270)	-	(6,270)
Retained earnings		147,401	-	147,401
		184,699	-	184,699
Long-term liabilities				
Lease liabilities	(a)	8,409	5,988	2,421
Liabilities from employee benefits		402	-	402
		8,811	5,988	2,823
Short-term liabilities				
Trade and other payables	(a)	63,443	(1,021)	64,464
Liabilities from employee benefits		7,036	-	7,036
Liabilities from loans		82,045	-	82,045
Lease liabilities	(a)	3,216	2,409	807
Liabilities from current income tax		3,039	-	3,039
Provisions		1,200	-	1,200
		159,979	1,388	158,591
Total liabilities		168,790	7,376	161,414
Total equity and liabilities		**353,489**	**7,376**	**346,113**

Adoption of IFRS 16 did not have any impact on the equity.

Description of adjustments:

(a) recognition of right-of-use assets and lease liabilities for contracts recognized as operating lease until 31 December 2018

As a result of applying IFRS 16, the Group recognized the following assets which until 31 December 2018 were recognized as operating lease:

	Right-of-use assets	Lease liability
Perpetual usufruct right to land	1,903	1,685
Warehouse and office buildings	4,845	5,866
Vehicles	846	846
Total	**7,594**	**8,397**

The value of right-of-use assets in relation to perpetual usufruct of land was determined taking into account the amount paid for the purchase of this right, which as at 31 December 2018 amounted to PLN 218 thousand and was disclosed as long-term and short-term prepayments, under lie item "Trade and other receivables and prepaid expenses".

The value of right-of-use assets in relation to warehouse buildings was determined taking into account the rebate (reduced rent period), which until 31 December 2018 was accounted for through accruals and deferred income and was included in the line item "trade and other short-term liabilities" and which as of that date amounted to PLN 1,021 thousand.

In addition, the names of the line item in the financial statements has changed - the name has been changed from 'finance lease liability' to 'lease liability'.

(b) reclassification of financial leases

As a result of applying IFRS 16, the Group reclassified assets with a net value of PLN 3,849 thousand, recognized up to 31 December 2018 as property, plant and equipment under finance lease agreements, to the new item 'right-of-use assets'.

The table below presents reconciliation of future lease payments disclosed in the financial statements for the financial year ended 31 December 2018, to the value of the lease liability recognized as at 1 January 2019:

	TOTAL
Future minimum lease payments under operating lease agreements as at 31 December 2018 (disclosed in accordance with IAS 17)	**12,938**
Adjustment due to the settlement of received rebates recognized as accrued expenses	1,022
Adjustment for the fee for perpetual usufruct recognized as prepaid expenses	219
Adjustment for short-term lease contracts (no recognition in accordance with IFRS 16)	(2,450)
Future lease payments under operating lease agreements as at 1 January 2019	**11,729**
Discount	(3,332)
Additional lease liability recognized as at 1 January 2019	**8,397**
Finance lease liabilities according to IAS 17 as at 31 December 2018	3,228
Lease liabilities as at 1 January 2019	**11,625**

3.1 Consolidation

Subsidiaries

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

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

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

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

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

3.2 Segment reporting

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

3.3 Valuation of items denominated in foreign currencies

Functional currency

Items included in the financial statements of individual Group companies are measured in the currency of the primary economic environment in which a given company operates (the "functional currency"). The consolidated financial statements are presented in the Polish zloty, which is the functional currency of the Parent Company and the presentation currency of the Group.

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.

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

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

Translation of the Group companies' data

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

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

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

3.4 Property, plant and equipment

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

Acquisition cost comprises the price for which a given asset was purchased (i.e. amount due to the seller, net of any 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 Group during its construction, assembly, adaptation or improvement, incurred until the date on which the asset became available for use, including any non-deductible VAT and excise duties.

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

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

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

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

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

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

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

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

3.5 Leases

3.5.1 Group as a lessee - accounting policy applied until 31 December 2018

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased asset, are recognised in the consolidated statement of financial position at commencement of the lease term at the lower of the fair value of the asset and the present value of the minimum lease payments. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability, in a way to produce a constant rate of interest on the remaining balance of the liability. The finance charge is recognised in profit or loss.

Tangible fixed assets used under finance lease agreements are depreciated over the shorter of their estimated useful life or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments and subsequent lease instalments are recognised as expenses and charged to profit or loss over the lease term on a straight-line basis.

3.5.2 Group as a lessee - accounting policy applied from 1 January 2019

a) Right-of-use assets

The Group recognizes right-of-use assets on the lease commencement date (i.e. on the day when the underlying asset is available for use). Right-of-use assets are measured at cost, less total depreciation and impairment losses, adjusted for any revaluation of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred and any lease payments paid on or before the lease start date, less any incentives received. Unless the Group is sufficiently certain that it will obtain the ownership title to the leased asset at the end of the lease period, the recognized right-of-use assets are amortized using the straight-line method, over the shorter of the two periods: estimated useful life of the leased asset or lease period. Right-of-use assets are subject to impairment.

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

b) Lease liability

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

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

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

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

3.6 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	from 5 to 10 years
Licences and software	from 1 to 20 years

3.7 Goodwill

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

As at the acquisition date, the acquired goodwill is allocated to each of the cash-generating units that will benefit from the synergies of the business combination, not larger than an operating segment. The accounting policies applicable to goodwill impairment testing are presented in note 11**Błąd! Nie można odnaleźć źródła odwołania.**. Goodwill is expressed in functional currency of the cash-generating unit and is translated into the functional currency of the Parent Company according to the exchange rate effective at the reporting period end date.

3.8 Impairment of non-financial non-current assets

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

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

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

3.9 Borrowing costs

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

3.10 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 Group classifies its financial assets to the following categories:

a) measured at amortized cost;

b) measured ad fair value through profit or loss;

c) measured at fair value through other comprehensive income.

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

a) Financial assets measured at amortized cost

Financial assets held to receive contractual cash flows, which include only repayment of principal amount and interest, are measured at amortised cost. The Group classifies trade receivables and cash and cash equivalents into this category of financial assets. Interest revenue (for receivables with a deadline for repayment of over one year) are determined using effective interest rate method and recognized as “financial income” in statement of profit or loss. Impairment losses on trade receivables are recognised in line with the accounting policy described in note 3.11 and are recognized in cost of sales.

As of 31 December 2018 and 31 December 2019 the Group did not held any assets qualified within the remaining two categories, i.e. (b) measured ad fair value through profit or loss, and (c) measured at fair value through other comprehensive income.

3.11 Impairment of financial assets

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

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

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

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

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

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

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

3.12 Inventory

Inventory includes goods for resale and assets for expected returns.

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

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

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

The assets for expected returns, (i.e. value of goods which are expected to be returned by customers in accordance with the right provided to customers in the agreement or under the binding laws and regulations - please refer to revenue recognition policy in note 3.20) are estimated based on historical data, including ratio of returns from customers to revenue from sales for the period of last 3 years. Estimated value of these assets offsets the costs of goods sold.

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

Impairment losses on inventory are recognised in cost of sales.

3.13 Cash and cash equivalents

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

3.14 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,
- own shares are stated at purchase price and presented in equity with a negative sign,
- reserve capital for buyback of own shares is created based on the resolution of General Shareholders' Meeting,
- other comprehensive income includes foreign operations currency translation differences and actuarial profits and losses arising from the actuarial valuation of provisions for pensions and related benefits,
- retained earnings – comprising profit/(loss) distributions, undistributed profit/(loss), and net profit/(loss) for the reporting period to which given financial statements relate.

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

3.15 Bank loan liabilities

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

3.16 Trade and other payables

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

Other liabilities include liabilities arising from returns of goods from customers (in accordance with the right provided to customers in the agreement or under the existing laws and regulations - please refer to revenue recognition policy in note 3.20). Value of these liabilities is estimated based on historical data, including ratio of returns from customers to revenue from sales for the period of last 3 years. At the same time, the Group recognizes in inventories the asset for goods which the customers are expected to return, with the offsetting entry to cost of goods sold (see note 3.12).

According to the regulations of European Parliament and other laws in force, i.e. EU Waste Electrical and Electronic Equipment Act, the Parent Company, as an operator that places electrical and electronic equipment, batteries, containers and products such as oils and tires on the market, and under the Extended Producer Responsibility, is responsible for the products until the end of its life (i.e. waste creation). Due to the fact that under existing Polish regulations the Parent Company is required, among others, to ensure minimum recycling efficiency levels and recover waste from manufactured products, the Parent Company fulfils these obligations through an agreement concluded with a Recovery Organization. Costs associated with this agreement are accrued over the whole year and settled at the end of financial year, upon receiving of the final invoice.

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

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

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

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

3.18 Liabilities from employee benefits

Post-employment benefit plan – the defined contribution plan

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

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

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

3.19 Provisions

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

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

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

3.20 Recognition of revenue

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

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

In particular, revenue from sales of goods is recognized in accordance with rules described above. The sales agreement with customer contains only one performance obligation – obligation to deliver goods to customer, therefore revenue is recognized at the specified point in time. The entity recognizes revenue when the goods are transferred to the customer. Goods are transferred to the customer, when the customer receives the control over the transferred assets.

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

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

Some contracts with customers contain right to return goods. In accordance with the applicable laws and regulations, the customer has a right to withdraw from the purchase agreement within 14 days from the date of delivery of goods. This right applies to customers who purchase goods at internet store toya24.pl and other shopping portals. In addition, the Group extends the right of return of purchased goods, within limited period of time, to some of its customers. The Group estimates the potential liability arising from these rebates and if the estimated liability is material, the Group recognizes this amount as an offset to revenues from sales and as a liability due to expected returns in "trade liabilities" line (note 3.16).At the same time, the group recognizes the estimated amount of inventories to be returned by the customers and recognizes this amount as inventory and offset to costs of goods for resale sold (note 3.12).

3.21 Dividends

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

4. Foreign currencies used in preparation of these financial statements

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

Currency	31 December 2019	31 December 2018
1 EUR	4.2585	4.3
1 USD	3.7977	3.7597

Items of the statement of financial position of subsidiaries have been translated from the functional currency into the presentation currency using the following exchange rates:

Currency	31 December 2019	31 December 2018
1 RON	0.8901	0.9229
1 CNY	0.5455	0.5481

Financial results of subsidiaries have been translated from the functional currency into the presentation currency using the following exchange rates:

	12 months ended on 31 December	
Currency	2019	2018
1 RON	0.9053	0.9165
1 CNY	0.5571	0.5463

5. Material accounting estimates and judgements

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

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

Revenue recognition – variable consideration

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. Application of IFRS 15 did not have impact on the amount of revenue recognized. The Group estimates the potential liability arising from rebates granted to customers, and if the estimated liability is material, the Group recognizes this liability as an offset to revenues from sales and as a trade liability.

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

Useful lives and depreciation rates for property, plant and equipment

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

If the actual useful lives of property, plant and equipment had been by 10% shorter than the Management Board's estimates, the depreciation of property, plant and equipment would have been higher by PLN 358 thousand as at 31 December 2019, and PLN 411 thousand as at 31 December 2018.

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. However, in a situation where any party - in accordance with professional judgment - incurs a significant penalty for termination (broadly understood), the Company determines the leasing period as sufficiently certain (i.e. the period for which it can be assumed with sufficient certainty that the contract will last).

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.

Lease period for contracts with extension options

The Company determines the lease period as an irrevocable lease period, including periods covered by the option to extend the lease, if it can be assumed with sufficient certainty that the option will be exercised, and periods covered by the option to terminate the lease, if it can be assumed with sufficient certainty that the option will not be exercised.

Provisions

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

- provisions for guarantees and complaints – estimated level of the ratio used to perform calculations in accordance with the policy described in note 3.19; 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 23;

- other provisions resulting from claims brought against the Group – the values are determined taking into consideration the probability of having to pay the obligation and the amount of potential claim – see note 33.

Inventory write-downs

When determining the amount of the inventory write-down, the Company analyses the rotation of goods. The estimated average period during which the product is sold, and beyond which a write-down is created in accordance with the policy described in note 3.12; for details on the amount of the write-down, see note 13.

Expected credit losses

The Group utilizes provision matrix to estimate expected credit losses in relation to trade receivables. For the purpose of estimation of the expected credit losses, trade receivables are grouped on the basis of credit risk characteristics. Historical data regarding credit losses, adjusted for expected impact of future events, is used by the Group in estimation of the expected credit losses, in accordance with the policy described in note 3.11; for details on the amount of the write-down, see note 14.

In case of individual analysis, the quality of the premises on the basis of which the decision is made to write-down a given receivable is assessed.

Uncertainties related tax settlements

Regulations regarding VAT, corporate income tax and social security contributions are subject to frequent changes. These frequent changes result in there being little point of reference, interpretations not consistent and few established precedents that may be followed. The binding regulations also contain uncertainties, resulting in differences in opinion regarding the legal interpretation of tax regulations both between government bodies, and between government bodies and companies.
Tax settlements and other areas of activity (e.g. customs or foreign currency related issues) may be subject to inspection by administrative bodies authorized to impose high penalties and fines, and any additional taxation liabilities calculated as a result must be paid together with high interest. The above circumstances mean that tax exposure is greater in the Group's countries than in countries that have a more established taxation system.

Accordingly the amounts shown in the financial statements may change at a later date as a result of the final decision of the 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.

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

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

6. Financial risk management

6.1 Financial risk factors

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

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

6.2 Market risk

Foreign exchange risk

The Group purchases significant amounts of goods from foreign suppliers, located primarily in China, at prices denominated in foreign currencies, particularly in CNY and USD. As at 31 December 2019, trade payables in USD represented 9% of the total trade payables and trade payables in CNY represented 80% of total trade payables (as at 31 December 2018 – payables in USD represented 19% of that balance and payables in CNY represented 66% of that balance).

As at 31 December 2019 and 31 December 2018, the Group has no loan liabilities denominated in foreign currencies.

As at 31 December 2019, cash in foreign currencies (USD and EUR) represented 18% of the total cash, cash in CNY represented 34% of total cash and cash in RON represented 46% of total cash (as at 31 December 2018 – cash in USD and EUR represented 23% of the total balance, cash in CNY represented 37% of the total balance and cash in RON represented 40% of the total balance).

33% of the Group's revenue is generated from exports (sales outside markets where the Group has its entities) and 15% of the Group's revenue is generated in local markets in China and Romania, at prices denominated in foreign currencies — in USD, EUR, CNY and RON. As at 31 December 2019, trade receivables in USD represented 20% of the total trade receivables (14% as at 31 December 2018) and trade receivables in EUR represented 4% of the total trade receivables (5% as at 31 December 2018). Moreover, as at 31 December 2019, 13% of trade receivables are denominated in CNY, due to sales on the local market in China (12% as at 31 December 2018) and 10% of trade receivables are denominated in RON due to sales in the local market in Romania (12% as at 31 December 2018).

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

If, as at 31 December 2019, PLN appreciated/depreciated by 10% against USD (all other conditions remaining unchanged), the profit before income tax for 2019 would drop/rise by approximately PLN 62 thousand (rise/drop by approximately PLN 203 thousand in 2018) mainly due to the measurement of USD denominated trade receivables).

If, as at 31 December 2019, PLN appreciated/depreciated by 10% against EUR (all other conditions remaining unchanged), the profit before income tax for 2019 would drop/rise by approximately PLN 263 thousand (in 2018 by approximately PLN 307 thousand) due to the measurement of EUR denominated trade receivables.

If, as at 31 December 2019, PLN appreciated/depreciated by 10% against CNY (all other conditions remaining unchanged), the profit before income tax for 2019 would rise/drop by approximately PLN 432 thousand, mainly due to the measurement of CNY denominated trade payables (in 2018 by approximately PLN 627 thousand).

Risk of interest rate changes affecting cash flows and fair values

As at 31 December 2019 and 31 December 2018 the Group held cash at bank accounts with a variable interest rate, which exposes the Company to the risk of interest rate changes affecting cash flows, however taking into consideration the amount of interest, the risk is insignificant. The group held no other interest-bearing assets.

The Group's policy envisages the use of bank loans bearing interest at variable rates. This exposes the Group to the risk of interest rate changes affecting its cash flows. As at 31 December 2019, all liabilities under bank loans bear interest at variable rates (which was also the case as at 31 December 2018).

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

The below sensitivity analysis of the Group's cash flows to interest rate risk was prepared for financial instruments based on variable interest rates. The financial instruments held by the Group 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 2019 and the assumed WIBOR variance.

	+20 basis points		**-20 basis points**	
	Effect on profit before income tax	**Effect on net profit and equity**	**Effect on profit before income tax**	**Effect on net profit and equity**
Financial liabilities				
Variable interest rate loans	(109)	(88)	109	88
Total for 2019	**(109)**	**(88)**	**109**	**88**

	+20 basis points		**-20 basis points**	
	Effect on profit before income tax	**Effect on net profit and equity**	**Effect on profit before income tax**	**Effect on net profit and equity**
Financial liabilities				
Variable interest rate loans	(164)	(133)	164	133
Total for 2018	**(164)**	**(133)**	**164**	**133**

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

6.3 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 Group cooperates with renowned financial institutions which enjoy premium credit ratings (Bank Handlowy w Warszawie S.A., Santander Bank S.A. and BNP Paribas Bank Polska S.A. (previously Raiffeisen Bank Polska S.A.) in Poland, Citi Bank and Agricultural Bank in China and BRD Groupe Societe Generale in Romania).

Credit risk relating to credit exposures to Group's customers is considered as low by the Management Board. The Group sells its products to 2 key customer groups: retail chains and wholesale customers (including wholesalers, distributors and authorised retail stores). The Group sells its products on the Polish and foreign markets – mainly China, countries in Central, Eastern and Southern Europe (Romania, Hungary, the Czech Republic, Germany, Balkan countries, Russia, Ukraine, Belarus, Moldova) as well as Arabic states, south Africa, Angola and Thailand.

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

	Share in sales revenues	
	2019	**2018**
Local markets – wholesale market (*)	46%	47%
Local markets – chains (*)	15%	16%
Export sales	34%	33%
Other sales	5%	4%
Total	**100%**	**100%**

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

As regards sales to retail chains, the Group sells its products to the largest chains in Poland and Romania. Credit exposures in this customer group are not evenly distributed as 2 key retail chains in Poland jointly account for approximately 85% of sales made through this particular channel. Credit risk exposure to retail chains is considered by the Company as low as most of them are reliable and financially transparent customers with an established market position and a sound payment history.

In the area of wholesale distribution, the Group has established cooperation with a few dozen authorised distributors, a few dozen wholesalers across the country and authorised retail stores, as well as with wholesalers in Romania and China. In 2019, 75% of sales in this group was executed to approx. 58 customers (64 customers in 2018). The Group pursues a policy of reducing credit exposures to wholesale customers with the use of a credit limit mechanism. The limits are set for each customer based on a detailed assessment of its financial performance, market position, payment discipline and the overall situation in the sector. The utilisation of credit limits is monitored on a regular basis. A transaction exceeding the credit limit may only be executed upon authorisation by authorised persons in accordance with an internal credit policy.

The Group mitigates its credit risk by having trade receivables insured in a renowned insurance company. The insurance covers receivables from the customers of the Parent Company. As at 31 December 2019, 67% of the short-term trade receivables were insured (59% as at 31 December 2018). This applies to customers who have been granted an individual limit and customers covered by the so-called automatic limit, up to the amount specified in the insurance contract. Under the insurance contract, the deductible is typical for such contracts.

The Group also mitigates credit risk through the implementation 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 14.

The credit quality of financial assets not being either past due or impaired can be estimated by reference to external credit ratings or to historical information on the counterparty's defaults. The Parent Company's cash is held in banks with

BBB+, BBB and A- ratings (EuroRating agency), and the cash of subsidiaries — in banks with Fitch BBB+ rating (Romania) and A and BBB rating (China).

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

The maximum credit risk exposure is approximately equal to the book value of trade receivables, net of receivables insured and cash and cash equivalents. As at 31 December 2019, the maximum credit risk exposure is PLN 36,808 thousand (31 December 2018: PLN 38,929 thousand).

6.4 Liquidity risk

The Management Board of the Parent Company believes that the Group's liquidity is secured for the foreseeable future. The Group follows a prudent liquidity risk management policy, which focuses on maintaining an adequate level of cash and securing the ability to use the credit facilities. The management monitors the level of current liabilities and current assets, as well as current cash flows of the Group.

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

	31 December 2019	**31 December 2018**
Current assets	325,702	315,600
Current liabilities	129,632	158,591

	2019	**2018**
Cash flow from operating activities	42,204	(6,704)

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

	Due date						
	up to 3 months	**4-6 months**	**7-12 months**	**2-3 years**	**4-5 years**	**More than 5 years**	**Total**
Loans	18,180	-	37,683	-	-	-	**55,863**
Trade and other payables	45,095	11,069	92	-	-	39	**56,295**
Lease liabilities	1,016	1,208	2,355	7,338	3,972	12,840	**28,729**
As at 31 December 2019	**64,291**	**12,277**	**40,130**	**7,338**	**3,972**	**12,879**	**140,887**
Loans	21,567	-	62,210	-	-	-	**83,777**
Trade and other payables	43,445	18,718	621	-	-	-	**62,784**
Lease liabilities (*)	242	242	419	2,561	-	-	**3,464**
As at 31 December 2018	**65,254**	**18,960**	**63,250**	**2,561**	**-**	**-**	**150,025**

(*) until 31 December 2018 this item was labelled as „Liabilities from finance leases”

6.5 Capital management

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

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

	31 December 2019	31 December 2018
Non-current assets	50,912	30,513
Equity	228,429	184,699

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

7. Financial instruments

As at 31 December 2019	Financial assets	Other financial liabilities
	Assets measured at amortised cost	Liabilities measured at amortised cost
Trade receivables	66,496	-
Cash	17,460	-
Trade and other payables	-	56,870
Loans	-	54,705
Lease liabilities	-	21,513
	83,956	**133,088**

As at 31 December 2018	Financial assets	Other financial liabilities
	Assets measured at amortised cost	Liabilities measured at amortised cost
Trade receivables	61,895	-
Cash	15,147	-
Trade and other payables	-	62,783
Loans	-	82,045
Lease liabilities (*)	-	3,228
	77,042	**148,056**

(*) until 31 December 2018 this item was labelled as „Liabilities from finance leases"

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

12 months ended 31 December 2019	Financial assets	Financial liabilities
Interest income	83	-
Interest expenses	-	(2,084)
Profits on foreign exchange differences	751	2,497
Losses on foreign exchange differences	(1,080)	(1,362)
Establishment of impairment write-downs	(1,814)	-
Reversal of impairment write-downs	80	-
Total net profit / (loss)	**(1,980)**	**(949)**

12 months ended 31 December 2018	Financial assets	Financial liabilities
Interest income	68	-
Interest expenses	-	(938)
Profits on foreign exchange differences	2,416	2,936
Losses on foreign exchange differences	(1,266)	(1,861)
Establishment of impairment write-downs	(1,106)	-
Reversal of impairment write-downs	288	-
Total net profit / (loss)	**400**	**137**

In the Group's opinion, the fair value of financial assets and liabilities does not differ from their carrying amount, mainly due to their short maturity. In case of long-term financial liabilities measured at amortized cost, the 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.

8. Property, plant and equipment

	31 December 2019	1 January 2019 restated	31 December 2018
Land	2,907	2,907	2,907
Buildings and structures	8,458	8,805	8,805
Plant and equipment	2,708	2,334	3,718
Vehicles	1,326	1,688	4,153
Other	5,118	3,517	3,517
Total	**20,517**	**19,251**	**23,100**
Property, plant and equipment not transferred for use	1,326	320	320
Total property, plant and equipment	**21,843**	**19,571**	**23,420**

As a result of the adoption of IFRS 16, the Group reclassified assets, which until 31 December 2018 were used based on finance lease agreements, with an initial value of PLN 4,742 thousand (net book value of PLN 3,849 thousand), to the new financial statement line item "right-of-use assets".

Apart from the property, plant and equipment serving as security in respect of working capital facilities (note 19), there are no restrictions on the use of property, plant and equipment held by the Group.

In 2019 and 2018, the Group did not capitalise borrowing costs due to the insignificancy of these amounts.

As at 31 December 2019, the Group had no commitments to expenditure on property, plant and equipment.

Changes in property, plant and equipment by type

	Land	Buildings and structures	Technical equipment and machinery	Vehicles	Other	Property, plant and equipment not transferred for use	Total
Initial value							
As at 31 December 2018	**2,907**	**13,887**	**8,513**	**6,677**	**10,903**	**320**	**43,207**
Reclassification as a result of adoption of IFRS 16	-	-	(2,123)	(2,619)	-	-	**(4,742)**
As at 1 January 2019	**2,907**	**13,887**	**6,390**	**4,058**	**10,903**	**320**	**38,465**
Increases	-	366	1,189	262	3,080	2,609	**7,506**
Decreases	-	-	(2)	(261)	(22)	(1,581)	**(1,866)**
Currency translation differences	-	(6)	(36)	(61)	(124)	(22)	**(249)**
As at 31 December 2019	**2,907**	**14,247**	**7,541**	**3,998**	**13,837**	**1,326**	**43,856**
-							
-							
As at 1 January 2018	2,907	13,493	7,046	4,410	13,746	1,615	**43,217**
Increases	-	461	2,337	3,246	1,023	4,614	**11,681**
Decreases	-	(89)	(919)	(1,060)	(3,988)	(5,915)	**(11,971)**
Currency translation differences	-	22	49	81	122	6	**280**
As at 31 December 2018	**2,907**	**13,887**	**8,513**	**6,677**	**10,903**	**320**	**43,207**
Accumulated depreciation							
As at 31 December 2018	**-**	**5,082**	**4,795**	**2,524**	**7,386**	**-**	**19,787**
Reclassification as a result of adoption of IFRS 16	-	-	(739)	(154)	-	-	**(893)**
As at 1 January 2019	**-**	**5,082**	**4,056**	**2,370**	**7,386**	**-**	**18,894**
Increases	-	718	808	601	1,406	-	**3,533**
Decreases	-	-	(8)	(260)	(12)	-	**(280)**
Currency translation differences	-	(11)	(23)	(39)	(61)	-	**(134)**
As at 31 December 2019	**-**	**5,789**	**4,833**	**2,672**	**8,719**	**-**	**22,013**
As at 1 January 2018	-	4,409	4,496	2,675	9,839	-	**21,419**
Depreciation for the financial year	-	701	1,155	731	1,421	-	**4,008**
Decreases in depreciation	-	(43)	(884)	(923)	(3,947)	-	**(5,797)**
Currency translation differences	-	15	28	41	73	-	**157**
As at 31 December 2018	**-**	**5,082**	**4,795**	**2,524**	**7,386**	**-**	**19,787**
Carrying amount							
As at 31 December 2019	**2,907**	**8,458**	**2,708**	**1,326**	**5,118**	**1,326**	**21,843**
As at 31 December 2018	**2,907**	**8,805**	**3,718**	**4,153**	**3,517**	**320**	**23,420**

9. Intangible assets

	31 December 2019	31 December 2018
Licences, concessions and patents, including:	2,716	2,725
– software	*2,716*	*2,725*
Other - trademarks and industrial designs	287	96
Total	**3,003**	**2,821**
Intangible assets not transferred for use	588	198
Total intangible assets	**3,591**	**3,019**

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

No security interests on the intangible assets have been created.

Intangible assets not transferred for use include licences and software that is being implemented. No impairment was reported for these assets.

Changes in intangible assets

	Software	Other	Intangible assets not transferred for use	Total
Initial value				
As at 1 January 2019	**4,476**	**240**	**198**	**4,914**
Increases	447	227	566	**1,240**
Decreases	-	-	(176)	**(176)**
Currency translation differences	(15)	-	-	**(15)**
As at 31 December 2019	**4,908**	**467**	**588**	**5,963**
As at 1 January 2018	4,228	240	-	**4,468**
Increases	572	-	198	**770**
Decreases	(337)	-	-	**(337)**
Currency translation differences	13	-	-	**13**
As at 31 December 2018	**4,476**	**240**	**198**	**4,914**
Accumulated amortisation				
As at 1 January 2019	1,751	144	-	**1,895**
Increases	446	36	-	**482**
Decreases	-	-	-	**-**
Currency translation differences	(5)	-	-	**(5)**
As at 31 December 2019	**2,192**	**180**	**-**	**2,372**
As at 1 January 2018	1,661	124	-	**1,785**
Increases	423	20	-	**443**
Decreases	(336)	-	-	**(336)**
Currency translation differences	3	-	-	**3**
As at 31 December 2018	**1,751**	**144**	**-**	**1,895**
Carrying amount				
As at 31 December 2019	**2,716**	**287**	**588**	**3,591**
As at 31 December 2018	**2,725**	**96**	**198**	**3,019**

10. Right-of-use assets

	31 December 2019	1 January 2019 restated	31 December 2018
Land	1,878	1,903	-
Buildings and structures	16,417	4,845	-
Plant and equipment	1,013	1,384	-
Vehicles	2,430	3,311	-
Total	**21,738**	**11,443**	**-**

As at 1 January 2019, the Group adopted IFRS 16 "Leases". Information on the impact of adoption of this standard is presented in note 3.3.1.

	Land	Buildings and structures	Technical equipment and machinery	Vehicles	Total
Initial value					
Adoption of IFRS 16:					
Reclassification of assets used under financial lease agreements recognized as at 31 December 2018	-	-	2,123	2,619	**4,742**
Recognition of contracts disclosed as operating leases until 31 December 2018	1,903	4,845	-	846	**7,594**
As at 1 January 2019	**1,903**	**4,845**	**2,123**	**3,465**	**12,336**
New lease contracts	-	13,255	-	-	**13,255**
As at 31 December 2019	**1,903**	**18,100**	**2,123**	**3,465**	**25,591**
Accumulated depreciation					
Adoption of IFRS 16:					
Reclassification of assets used under financial lease agreements recognized as at 31 December 2018	-	-	739	154	**893**
As at 1 January 2019	**-**	**-**	**739**	**154**	**893**
Depreciation for the financial year	25	1,684	372	810	**2,961**
Currency translation differences	-	(1)	-	-	**(1)**
As at 31 December 2019	**25**	**1,683**	**1,110**	**1,035**	**3,852**
Carrying amount					
As at 31 December 2019	**1,878**	**16,417**	**1,013**	**2,430**	**21,738**
As at 31 December 2018	**1,903**	**4,845**	**1,384**	**3,311**	**11,443**

In 2019, the Group concluded a new lease agreement for office and warehouse space in Romania. The new location was made available in December 2019. The discount rate used to calculate the lease liability and the right-of-use asset at initial recognition was 5.13%.

11. Goodwill

Goodwill amounting to PLN 713 thousand includes only the goodwill resulting from the acquisitions of Yato Tools in 2013.

	Yato Tools (Shanghai) Co., Ltd.
As at 1 January 2019	**717**
Foreign exchange differences	(4)
As at 31 December 2019	**713**

Impairment test for goodwill

The Management Board reviews the business performance by geographic areas (locations of subsidiaries) and distribution channels. The main geographic areas identified include Poland and European countries (except Romania), Romania (subsidiary in Romania), as well as China and non-European foreign markets (subsidiary in China). In all these areas, the Group conducts activities in various distribution channels. Goodwill is analysed by the Management Board at the geographic areas level. The above goodwill is allocated to 3 segments: export, wholesale and other, in which Yato Tools (Shanghai) realizes sales revenues.

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

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

	31 December 2019	31 December 2018
compound annual rate of growth of sales revenue	4.5%	5%
rate of growth after the forecast period	2%	2%
weighted average cost of capital (discount rate)	6.7%	7.8%

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

The recoverable amount calculated on the basis of value in use, using the above assumptions, constitutes approximately 242% of the book value for all segments (350% in 2018). The following changes in key assumptions would remove this excess in at least one segment (the impact of each assumption was estimated under the assumption that other assumptions remain unchanged):

- decrease in forecasted revenue growth rate in the next 5 years by 38 percentage point (2018: decrease by 23%),
- increase in the discount rate by 1.8 percentage point (2018: increase by 8 percentage points).

12. Other receivables and prepaid expenses

	31 December 2019	31 December 2018
Deposits paid	47	190
Prepaid expenses related to the perpetual usufruct right	-	215
Total	**47**	**405**

As at 1 January 2019, the Group adopted IFRS 16, as a result of which prepayments and accruals related to the perpetual usufruct rights were included in the calculation of the right-of-use assets - see Note 3.3.1.

13. Inventory

	31 December 2019	31 December 2018
Goods for resale at warehouse and in transit	234,193	227,875
Revaluation write-down	(2,557)	(2,195)
Asset for expected returns from customers	1,102	572
Total inventory	**232,738**	**226,252**

The table below presents changes in revaluation write-downs on inventory:

	2019	2018
As at 1 January	**2,195**	**3,102**
Increase	536	73
Reversal/utilisation	(173)	(1,009)
Currency translation differences	(1)	29
As at 31 December	**2,557**	**2,195**

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

For collaterals established on inventories, please refer to note 19.

14. Trade and other short-term receivables

	31 December 2019	1 January 2019 restated	31 December 2019
Trade receivables from related parties	4	3	3
Trade receivables from third parties	71,147	64,827	64,827
Total trade receivables	**71,151**	**64,830**	**64,830**
Taxes, custom duties and social security receivables	4,102	7,273	7,273
Other receivables from third parties	382	895	895
Advances for deliveries	3,107	3,410	3,410
Prepayments and deferred costs	1,496	840	843
Total gross receivables	**80,238**	**77,248**	**77,251**
Impairment write-downs of doubtful trade receivables	(4,655)	(2,935)	(2,935)
Impairment write-downs of other receivables	(79)	(115)	(115)
Total net receivables	**75,504**	**74,198**	**74,201**

The average repayment period of receivables is 62 days. For collaterals established on receivables, please refer to note 18.

Changes in gross receivables are summarized in table below.

	Receivable with no impairment write-down (group analysis)	Receivables with impairment write-down (individual analysis)	Total
As at 1 January 2019	**61,107**	**3,723**	**64,830**
Increase	529,609	282	529,891
Interest accrued	-	18	18
Receivables written-off	(8)	(22)	(30)
Receivables classified individually as irrecoverable	(4,004)	4,004	-
Collected receivables	(521,282)	(675)	(521,957)
Compensated receivables	(1,040)	-	(1,040)
Other changes, including currency translation differences	(608)	47	(561)
As at 31 December 2019	**63,774**	**7,377**	**71,151**

The Group applies a simplified approach and measures the allowance in an amount equal to the expected credit losses throughout the life cycle using the provision matrix, described in the accounting policies descried in Note 3.11. The impact of creation and reversal of impairment write-down of receivables has been included in line "Expected credit losses". Changes in the write-downs of trade and other receivables are presented in the table below:

	2019	2018
As at 31 December of previous year	**2,935**	**2,050**
Implementation of IFRS 9	-	104
As at 1 January	**2,935**	**2,154**
Increase	1,814	1,106
Utilisation	-	(207)
Reversal	(80)	(136)
Currency translation differences	(14)	18
As at 31 December	**4,655**	**2,935**

The significant increase in allowance in 2019 is mainly attributable to an individual analysis of the receivables of the subsidiary Yato Tools in response to the epidemic caused in China by the COVID-19 coronavirus at the turn of 2019 and 2020. Receivables from those counterparties, for which no repayments after the balance sheet date were recorded, were 100% written-off.

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

		Overdue period				
	Total	**Not overdue**	**0-30 days**	**31-60 days**	**61-90 days**	**over 90 days**
Gross trade receivables	**71,151**	**49,945**	**10,409**	**3,651**	**1,855**	**5,291**
Group analysis						
Gross value of trade receivables analysed on grouped level	63,774	49,242	10,297	3,057	1,105	73
Expected credit loss ratio		0.01%-0.05%	0.1-5%	1%-25%	5%-50%	10%-100%
Expected credit losses (impairment loss for customers analysed at groups level)	(236)	(124)	(69)	(23)	(11)	(9)
Individual analysis						
Gross value of trade receivables analysed on individual level	7,377	703	113	594	750	5,217
Impairment loss on individual customers	(4,419)	(708)	(67)	(226)	(193)	(3,225)
Total expected credit losses	(4,655)	(832)	(136)	(249)	(204)	(3,234)
Total net trade receivables	**66,496**	**49,113**	**10,274**	**3,402**	**1,651**	**2,056**

Expected credit loss ratios are determined separately for insured (lower end of the ranges indicated in the table above) and not secured (higher end of the ranges).

15. Cash and cash equivalents

	31 December 2019	31 December 2018
Cash in hand and at bank	17,460	15,147
Total cash and cash equivalents	**17,460**	**15,147**

Apart from cash disclosed in the statement on financial position, the Parent Company has a separate bank account for the funds of the Company Social Benefits Fund (ZFŚS) which are presented under other receivables in their net amount together with liabilities towards the ZFŚS and receivables under loans granted. As at 31 December 2018, these funds amounted to PLN 3 thousand and as at 31 December 2019 the account balance was zero. The Parent Company may use these funds only in the manner provided for by the law with regard to the ZFŚS funds.

As a result of implementation of VAT split payment mechanism, the Parent Company has dedicated VAT bank accounts, where VAT amounts from invoices settled by the vendors of TOYA S.A. will be transferred. Funds collected in these VAT accounts may only be used for VAT settlements concerning invoices received and settlements of tax liabilities. As at 31 December 2019, the cash balance in these VAT accounts totalled PLN 341 thousand (31 December 2018: PLN 1 thousand).

Apart from the ZFŚS funds, as at 31 December 2019 and 31 December 2018, the Group did not have any cash of limited disposability.

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

		Adjustments					
	Balance sheet change	Impact of IFRS 9 adoption	Measurement of cash in foreign currencies	Currency translation differences	Valuation of the guarantee granted	Actuarial gains/losses recognised in comprehensive income	Change in statement of cash flows
Change in trade and other receivables and prepayments and deferred expenses	(945)	(218)	-	(461)	-	-	(1,624)
Change in inventories	(6,486)	-	-	(406)	-	-	(6,892)
Change in provisions	13	-	-	8	-	-	21
Change in trade and other payables	(4,482)	1 021	-	339	(38)	-	(3,160)
Change in employee benefit liabilities	571	-	-	29	-	(124)	476
Change in cash	2,313	-	345	(90)	-	-	2,568

12 months ended 31 December 2018	Balance sheet change	Adjustments				Change in statement of cash flows
		Impact of IFRS 9 implementation	Measurement of cash in foreign currencies	Currency translation differences	Actuarial gains/losses recognised in comprehensive income	
Change in trade and other receivables and prepayments and deferred expenses	(9,798)	(104)	-	613	-	(9,289)
Change in inventories	(63,370)	-	-	870	-	(62,500)
Change in provisions	816	-	-	(3)	-	813
Change in trade and other payables	16,818	-	-	(839)	-	15,979
Change in employee benefit liabilities	738	-	-	(56)	(56)	626
Change in cash	6,240	-	(249)	(8)	-	5,983

16. Share capital

As at 31 December 2019, 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 table below presents the ownership structure and percentage stakes held in the Parent Company as at 31 December 2019:

Name	Status	Number of shares	Type of shares	Par value per share (PLN)	Par value of the shares (PLN)	Structure (%)
Jan Szmidt	natural person	28,170,647	ordinary bearer	0.1	2,817,064.70	37.54%
Tomasz Koprowski	natural person	11,866,684	ordinary bearer	0.1	1,186,668.40	15.81%
Romuald Szałagan	natural person	9,652,290	ordinary bearer	0.1	965,229.00	12.86%
Rockbridge TFI S.A.	legal person	7,711,798	ordinary bearer	0.1	771,179.80	10.28%
Generali OFE	legal person	5,001,147	ordinary bearer	0.1	500,114.70	6.66%
Others - share below 5%	not applicable	12,639,660	ordinary bearer	0.1	1,263,966.00	16.85%
TOTAL		**75,042,226**			**7,504,222.60**	**100.00%**

17. Reserve capital

	31 December 2019	31 December 2018
Reserve capital from reduction of share capital	329	329
Reserve capital for the purchase of own shares	15,705	-
Total reserve capital	**16,034**	**329**

The reserve capital from the reduction of the share capital was created in accordance with art. 457 paragraph 2 of the Code of Commercial Companies, as a result of redemption of own shares in 2018.

Reserve capital for the purchase of own shares was created in accordance with resolution on distribution of profit for 2018, see note 18.

18. Retained earnings and dividend per share

On 26 June 2019, the General Shareholders' Meeting of TOYA S.A. approved the financial statements of TOYA S.A. for 2018 as well as consolidated financial statements of TOYA S.A., and resolved to allocate the profit for 2018 in the amount of PLN 39,246 thousand to supplementary capital.

In addition the General Shareholders' Meeting of TOYA S.A. adopted a resolution to create a reserve capital in the amount of PLN 15,705 thousand for the purchase of the Company's own shares.

In line with the provisions of the Commercial Companies Code, retained earnings are used to create statutory reserve funds, to which at least 8% of the profit generated in a given financial year is transferred until the statutory reserve funds reach at least one-third of the share capital, i.e. in the case of the Parent Company – PLN 2,501 thousand as at 31 December 2019. These statutory reserve funds are exempt from distribution among shareholders and may only be used to cover losses. As at 31 December 2019 and 31 December 2018, the statutory reserve funds exempt from distribution amounted to PLN 4,372 thousand.

The remaining portion of the retained earnings, in the amount of PLN 172,149 thousand as at 31 December 2019, represents accumulated profit from previous years, of which PLN 145,772 thousand represent the accumulated profit of the Parent Company and may be allocated to the payment of dividend.

Dividend paid per share:

	12 months ended 31 December	
	2019	2018
Dividend paid	-	35,270
Weighted average number of ordinary shares ('000) (*)	75,042	75,042
Dividend per share (PLN)	**-**	**0.47**

(*) weighted average number of ordinary shares calculated in line with calculation of earnings per share in note 31.

Management Board of the Company did not provide recommendation on 2019 profit distribution.

19. Loans and borrowings liabilities

	31 December 2019	31 December 2018
Bank loan liabilities, including	**54,705**	**82,045**
– long-term	-	-
– short-term	54,705	82,045

Changes in bank loans are presented in the table below:

	Bank loans
As at 1 January 2018	**28,489**
Increase in loans	53,515
Interest for the period (note 29)	938
Interest repaid	(897)
Loan repaid	-
As at 31 December 2018	**82,045**
Increase in loans	17,803
Interest for the period (note 29)	1,657
Interest repaid	(1,683)
Loan repaid	(45,117)
As at 31 December 2019	**54,705**

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 2019	Amount outstanding as at 31 December 2019	Amount outstanding as at 31 December 2018	Current interest rate	Date of expiry	Post-balance-sheet events
1. Debt limit facility agreement No CRD/L/11381/02 of 2 October 2002 (with the option to be used in PLN, USD and EUR)	BNP Paribas Bank Polska S.A. w Polsce (previously: Raiffeisen Bank Polska S.A. with its registered office in Warsaw)	-	-	21,121	WIBOR 1 M + bank's margin EURIBOR/LIBOR 1 M+ bank's margin	Debt repaid in march 2019	-
2. Overdraft facility agreement No BDK/KR-RB/000054601/0641/10 of 22 December 2010	Bank Handlowy w Warszawie S.A.	40,000	19,706	39,343	WIBOR 1 M + bank's margin	11 December 2020	-
3. Overdraft facility agreement No K00856/17	Santander Bank S.A. with its registered office in Warsaw	25,000	17,196	21,581	WIBOR 1 M + bank's margin	19 September 2020	-
4. Overdraft facility agreement No 09/030/19/Z/VV	mBank S.A. with its registered office in Warsaw	40,000	17,803		WIBOR ON + bank's margin	3 March 2020	Annex to the agreement - see note 0
Total liabilities, of which:		**105,000**	**54,705**	**82,045**			
– short-term portion		105,000	54,705	82,045			
– long-term portion		-	-	-			

During the year ended on 31 December 2019, 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 table below presents collaterals for repayment of the loans:

Type of security	31 December 2019	31 December 2018
Mortgage	112,500	62,500
Transfer of title to inventory	-	67,000
Assignments of claims	16,005	40,999
Total restricted assets	**128,505**	**170,499**

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 value of the secured liability or in the amount resulting from the appraisal made by a real estate appraiser for the bank's needs). The book value of mortgaged assets was PLN 11,313 thousand as at 31 December 2019 (PLN 11,322 thousand as at 31 December 2018). Amount representing value of transfer of title to inventory was determined at the maximum amount resulting from agreements. The values of other types of security were determined at the carrying amounts of the assets provided as security as at 31 December 2019 and 31 December 2018.

The securities apply throughout the term of loan agreements. The Parent Company has limited abilities to dispose of the mortgaged assets. In the case of assignments of trade receivables, the Parent Company is obliged to refrain from any legal or actual actions resulting in restrictions on the Parent Company's ability to dispose of these receivables. In addition, the Parent 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 2019, the weighted average cost of loans (excluding commission) was 2.11%.

Fulfilment of contractual provisions

As at 31 December 2019, the Group did not default on its debt repayment obligations or on any other of its obligations under loan agreements in a manner which would result in an acceleration of debt repayment.

Loan agreements require the borrower to maintain its capitalisation ratio at an agreed level throughout the lending period. If this requirement is not met, the bank has the right to terminate the agreements.

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

20. Trade and other payables

	31 December 2019	1 January 2019 restated	31 December 2018
Trade payables to related parties	9	-	-
Trade payables to third parties	53,828	59,914	59,914
Total trade payables	**53,837**	**59,914**	**59,914**
Tax liabilities	3,112	1,681	1,681
Accruals	-	-	1,021
Liability due to expected goods returns	1,899	984	984
Prepayments received	610	721	721
Other payables to third parties	524	143	143
Total other current payables	**6,145**	**3,529**	**4,550**
Total	**59,982**	**63,443**	**64,464**

As at 1 January 2019, the Group adopted IFRS 16, as a result of which accruals related to the incentive received in connection with the warehouse lease agreement were included in the calculation of the right-of-use assets - for details on the impact of new standard adoption on the financial statements, please refer to note 3.3.1.

Advances received represent contractual obligations in accordance with IFRS 15.

An average payables payment period is 49 days.

During the year ended 31 December 2019, the Group recognized revenues in the amount of PLN 256 thousand, which were classified as prepayments at the beginning of the period.

21. Liabilities from employee benefits

	31 December 2019	31 December 2018
Provisions for retirement benefits, disability pensions and for death benefits	519	402
Liabilities from employee benefits – non-current portion	**519**	**402**
Provisions for retirement benefits, disability pensions and for death benefits	8	7
Payroll liabilities	6,405	6,037
Unused holidays	1,077	992
Liabilities from employee benefits – current portion	**7,490**	**7,036**

The Parent Company pays retirement benefits, disability pensions and death benefits in accordance with the Labour Code, in the amount of a one month's remuneration. The amount of provision for retirement benefits, disability pensions and death benefits as at 31 December 2019 and 31 December 2018 was estimated by an actuary. The basic assumptions were as follows:

	31 December 2019	31 December 2018
Discount rate (risk-free rate)	1.99%	2.73%
Growth rate of remunerations		
- in the first year	2.50%	4.00%
- in the subsequent years	2.50%	2.50%

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 2019	31 December 2018
Current value of liability as at 1 January	**409**	**311**
Current service cost	43	32
Net interest on net liability	11	10
Actuarial gains or losses, including resulting from:	124	56
changes in demographic assumptions	*1*	*(1)*
changes in financial assumptions	*47*	*31*
ex post adjustments of actuarial assumptions	*76*	*26*
Past service cost	-	-
Benefits paid	(60)	-
Current value of liability as at 31 December	**527**	**409**

Total expenses recognised in profit or loss in respect of future employee benefits amounted to PLN 54 thousand in 2019 and PLN 42 thousand in 2018 and were recognised in administrative expenses. In addition, the costs for 2019 were adjusted for the benefit paid in the amount of PLN 60 thousand. Actuarial losses incurred in 2019 amounted to PLN 124 thousand (in 2018: PLN 56 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 2019 are as follows:

Assumption	Changes in the assumption	Increase in the assumption	Decrease in the assumption
technical discount rate	1%	(62)	75
salary rise in the Company	1%	74	(63)
turnover ratio	1%	(30)	33

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	-	11	39	37	6	1,350
Disability pension	2	2	2	2	2	20
Death benefit	8	8	8	8	9	316
Total	**10**	**21**	**49**	**47**	**17**	**1,686**

22. Lease liabilities

22.1 Lease liabilities - Group as a lessee (from 1 January 2019 - after adoption of IFRS 16)

As at 1January 2019, the Group adopted IFRS 16. The impact of the adoptions are presented in note 3.1.2.

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

	IFRS 16
	2019
Lease liabilities as at 31 December	**3,228**
adjustment for the implementation of IFRS 16	8,397
Lease liability as at January 1	**11,625**
New lease contracts	13,256
Accrued interest	425
Lease payments (*)	(3,587)
Valuation of contracts in foreign currency	(38)
Lease liability as at December 31	**21,681**

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

In 2019, the Group concluded a lease agreement for office and warehouse space located in Romania for a period of 10 years. The new location was made available in December 2019. The discount rate used to calculate the lease liability and the right-of-use assets at initial recognition was 5.13%.

Undiscounted future cash flows are presented below.

	31 December
	2019
up to 1 year	4,579
1–3 years	7,338
3–5 years	3,977
more than 5 years	12,835
Total	**28,729**

The costs resulting from lease contracts are presented below.

	2019
Amortization and depreciation	2,961
Interest	426
Exchange rate differences	(38)
Total	**3,349**

During the year ended 31 December 2019, the Group incurred costs in connection with the short-term lease agreements in the amount of PLN 2,759 thousand and low-value lease agreements in the amount of PLN 13 thousand. Total cash outflow from leases in 2019 amounted to PLN 6,567 thousand (excluding VAT).

Information on leased assets is presented in note 10.

The maturity analysis of lease liabilities is presented in note 6.4.

22.2 Finance lease liabilities – Group as lessee (period until 31 December 2018 – before adoption of IFRS 16)

	31 December 2018
Minimum lease payments	
payable up to 1 year	904
payable between 2 and 5 years	2,562
Total	**3,466**
Future interest expenses	(238)
Present value of finance lease liabilities	**3,228**
of which:	
payable up to 1 year	807
payable between 2 and 5 years	2,421

As at 31 December 2018, the Group leased two servers under finance lease agreements entered into in 2014 and in 2017, trucks under finance lease agreement entered into in 2017 and forklifts under the agreement entered into in 2018. Total net amount of the lease liability as at the date of the agreements is PLN 4,742 thousand. The agreements were concluded for a period of 60 months. Monthly lease payments amount to approx. PLN 80 thousand. The terms and conditions of the agreements were not different from terms and conditions typical to this type of agreements.

22.3 Operating lease liabilities – Company as a lessee (period until 31 December 2018 – before adoption of IFRS 16)

Total amounts of future minimum lease payments under warehouse and office rental contracts in Nadarzyn and subsidiaries, leasing of passenger cars and perpetual usufruct rights to land are (amounts include only future rent without maintenance and service fees):

	31 December 2018
up to 1 year	4,737
1–3 years	3,603
3–5 years	259
more than 5 years	4,339
Total	**12,938**

23. Provisions

	Provisions for guarantee repairs
As at 1 January 2019	**1,200**
Provision created	1,265
Provision utilised	(1,242)
Currency translation differences	(10)
As at 31 December 2019	**1,213**
Short-term as at 31 December 2019	1,213
As at 1 January 2018	**384**
Provision created	1,200
Provision utilised	(384)
As at 31 December 2018	**1,200**
Short-term as at 31 December 2018	1,200

The provision for guarantee repairs is created in accordance with the policy described in note 3.19. The obligation of the Company to incur the costs of guarantee repairs results from general provisions on surety and guarantee granted to certain product groups. It is to be used within less than 12 months, and the amount is estimated based on historical costs of guarantee repairs borne; thus, the uncertainty towards its value should not have a material impact on the Company's future results. Provisions are recognised in the financial result under "costs of goods and materials sold".

24. Operating segments

Identification of operating and reporting segments

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

The Group specifies three operating and reporting segments for its activities:
- sales on local markets (Poland, Romania and China) to retail networks,
- sales on local markets (Poland, Romania and China) – wholesale market,
- export 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 Parent Company and subsidiary, Yato Tools (Shanghai) Co., Ltd. The segment of other sales comprises mainly sales through a stationary store and online store. As at 31 December 2019, this segment did not meet separate reporting criteria. As a result, it is presented as other trading activities.

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

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

As at 31 December 2019, the Group's assets amounted to PLN 377,770 thousand, and the Group's liabilities amounted to PLN 148,185 thousand and were related only to trading activities. The Management Board of the Parent Company does not examine the assets of the Group for each segment separately.

The Parent Company has no non-current assets located abroad, although such assets are held by the subsidiaries. The net value of property, plant and equipment located in Romania as at 31 December 2019 is PLN 4,995 thousand and located in China is PLN 1,592 thousand (as at 31 December 2018: Romania – PLN 1,969 thousand, China – PLN 2,451 thousand).

12 months ended 31 December 2019	***EXPORT SALES***	***WHOLESALE MARKET***	***RETAIL NETWORKS***	***OTHER***	***TOTAL***
Sales revenue					
Sales to external customers	151,056	203,871	63,842	21,249	440,018
Total segment revenue	**151,056**	**203,871**	**63,842**	**21,249**	**440,018**
Cost of goods sold					
Sales to external customers	(94,021)	(131,975)	(44,222)	(11,582)	(281,800)
Total costs of goods sold	**(94,021)**	**(131,975)**	**(44,222)**	**(11,582)**	**(281,800)**
Gross profit	**57,035**	**71,896**	**19,620**	**9,667**	**158,218**
Gross margin	**38%**	**35%**	**31%**	**45%**	**36%**
Gross profit – all operating segments					**158,218**
Selling costs					(77,962)
Administrative expenses					(21,011)
Expected credit losses					(1,751)
Other operating revenue					1,275
Other operating expenses					(541)
Operating profit					**58,228**
Financial revenue					82
Financial expenses					(2,123)
Profit before tax					**56,187**
Income tax					(11,362)
Net profit					**44,825**

12 months ended 31 December 2018	***EXPORT SALES***	***WHOLESALE MARKET***	***RETAIL NETWORKS***	***OTHER***	***TOTAL***
Sales revenue					
Sales to external customers	125,926	179,514	60,524	14,775	380,739
Total segment revenue	**125,926**	**179,514**	**60,524**	**14,775**	**380,739**
Cost of goods sold					
Sales to external customers	(80,718)	(110,726)	(41,643)	(7,161)	(240,248)
Total costs of goods sold	**(80,718)**	**(110,726)**	**(41,643)**	**(7,161)**	**(240,248)**
Gross profit	**45,208**	**68,785**	**18,884**	**7,614**	**140,491**
Gross margin	**36%**	**38%**	**31%**	**52%**	**37%**
Gross profit – all operating segments					**140,491**
Selling costs					(66,099)
Administrative expenses					(20,072)
Expected credit losses					(970)
Other operating revenue					2,742
Other operating expenses					(663)
Operating profit					**55,429**
Financial revenue					68
Financial expenses					(1,022)
Profit before tax					**54,474**
Income tax					(10,708)
Net profit					**43,767**

25. Sales revenue

	12 months ended 31 December	
	2019	**2018**
Sales revenue		
Sales of goods for resale	440,018	380,739
Total sales revenue	**440,018**	**380,739**

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

		12 months ended 31 December 2019		12 months ended 31 December 2018
	Sales revenue	**Share**	**Sales revenue**	**Share**
Baltic countries	23,533	5.3%	15,112	4.0%
Ukraine	15,220	3.5%	15,264	4.0%
Belarus	15,125	3.4%	11,876	3.1%
Hungary	12,598	2.9%	10,971	2.9%
Russia	10,548	2.4%	8,806	2.3%
Czech Republic	9,024	2.1%	9,782	2.6%
Germany	6,123	1.4%	7,927	2.1%
Europe – other EU countries	10,925	2.5%	10,287	2.7%
Europe – other non-EU countries	9,631	2.2%	9,269	2.4%
Asia	19,543	4.4%	14,844	3.9%
South America	11,522	2.6%	6,183	1.6%
Africa	7,104	1.6%	5,329	1.4%
Australia	161	0.0%	295	0.1%
Total export	151,056	34.3%	125,944	33.1%
Poland	226,020	51.4%	196,175	51.5%
Romania	43,637	9.9%	40,446	10.6%
China	19,305	4.4%	18,174	4.8%
Total sales revenue	**440,018**	**100.0%**	**380,739**	**100.0%**

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

	12 months ended 31 December	
	2019	**2018**
Amortisation and depreciation	6,976	4,451
Material and energy consumption	4,141	3,701
Third-party services	27,925	24,331
costs of transportation	*8,440*	*7,687*
warehouse services	*5,689*	*1,109*
costs of renting space with maintenance fees	*3,535*	*4,966*
IT and telecommunications costs	*2,424*	*1,865*
leasing instalments (passenger cars)	*-*	*789*
legal, audit and consulting costs	*1,012*	*986*
Taxes and fees	1,361	1,160
Costs of employee benefits	46,743	40,669
Other costs by type	13,578	12,829
Value of goods for resale and materials sold	281,800	240,248
Total costs by type and value of goods for resale sold	**382,524**	**327,389**

	2019	2018
Selling costs, including:	77,962	66,099
amortisation and depreciation	*5,473*	*3,413*
costs of employee benefits	*31,286*	*27,696*
Administrative expenses, including:	21,011	20,072
amortisation and depreciation	*1,390*	*1,038*
costs of employee benefits	*15,457*	*12,973*
Expected credit losses	1,751	970
Value of goods for resale sold	281,800	240,248
Total	**382,524**	**327,389**

The Group does not conduct important R&D works.

27. Cost of employee benefits

	12 months ended 31 December	
	2019	**2018**
Payroll	39,401	34,208
Cost of social insurance	6,327	5,376
Cost of provision for unused leaves	87	185
Cost of provision for retirement benefits	(6)	199
Cost of paid retirement and other benefits	60	0
Cost of other employee benefits	874	701
Total cost of employee benefits	**46,743**	**40,669**

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

	12 months ended 31 December	
	2019	**2018**
Total employees	423	397

28. Other operating revenue and expenses

	12 months ended 31 December	
OTHER OPERATING REVENUE	**2019**	**2018**
Gain on sale of property, plant and equipment	57	92
Surplus of FX gains over FX losses on operating activities	806	2,226
Revenue from other sales	115	148
Motor insurance claims received (net)	39	76
Interest received	3	8
Other operating revenue	255	192
Total other operating revenue	**1,275**	**2,742**

	12 months ended 31 December	
OTHER OPERATING EXPENSES	**2019**	**2018**
Loss on liquidation of property, plant and equipment	-	149
Cost of other sales	106	157
Penalties and fines paid	15	-
Court and debt recovery fees	13	28
Interest paid to the state budget and to counterparties	3	1
Donations given	21	18
Receivables written-off	12	3
Other	371	307
Total other operating expenses	**541**	**663**

29. Financial revenue and expenses

	12 months ended 31 December	
FINANCIAL REVENUE	**2019**	**2018**
Interest on cash in bank accounts	82	68
Total financial revenue	**82**	**68**

	12 months ended 31 December	
FINANCIAL EXPENSES	**2019**	**2018**
Interest and commissions on loans	1,657	938
Interest on lease liabilities	427	84
Costs of financial guarantees granted	39	-
Total financial expenses	**2,123**	**1,022**

30. Income tax

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

- from 1 January 2019 to 31 December 2019,
- from 1 January 2018 to 31 December 2018.

	12 months ended 31 December	
	2019	**2018**
Current tax	11,470	11,412
Deferred tax	(108)	(704)
Total income tax	**11,362**	**10,708**

The following corporate income tax rates were applicable in all the presented periods: 19% in the Parent Company, 16% in subsidiary in Romania and 25% in subsidiary in China.

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

	12 months ended 31 December	
	2019	**2018**
Profit before tax	56,187	54,474
Tax rate applicable in the period	19%	19%
Tax calculated at the applicable tax rate	**10,676**	**10,350**
Tax effect of the following items:		
- permanent tax differences – revenues	425	398
- temporary tax differences for which no asset was created	237	(35)
- adjustment of tax from previous years	124	5
Tax credits	(50)	(93)
Difference between tax rates applicable in other countries (tax rate in Romania: 16%, tax rate in China: 25%)	(50)	83
Income tax recognised in profit or loss	**11,362**	**10,708**

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.

Deferred income tax

	As at 31 December 2019			As at 1 January 2019	Recognised in profit or loss/equity
	Assets	**Liabilities**	**Net**	**Net**	
Non-current assets					
Property, plant and equipment under lease agreements and difference between tax and accounting depreciation rates of property, plant and equipment	-	4,377	(4,377)	(1,345)	(3,032)
Prepayments and deferred expenses related to perpetual usufruct right	-	-	-	(40)	40
Current assets			-	-	-
Write-down of inventories and asset for expected returns	1,656	209	1,447	1,486	(39)
Write-down of receivable and balance-sheet valuation of receivables denominated in foreign currencies	596	-	596	472	124
Balance-sheet valuation of cash denominated in foreign currencies	-	-	-	-	-
Long-term liabilities					
Liabilities from finance leases	3,044	-	3,044	459	2,585
Provision for retirement benefits	99	-	99	76	23
Financial guarantees granted	7	-	7	-	7
Short-term liabilities					
Provisions for liabilities	476	27	449	656	(207)
Provisions for unused vacation and bonuses	838	-	838	794	44
Accrued interest	6	-	6	11	(5)
Liabilities from finance leases	676	-	676	153	523
Provisions for guarantee repairs	195	-	195	230	(35)
Total assets and liabilities	**7,593**	**4,613**	**2,980**	**2,952**	**28**
Total deferred income tax, of which	**7,593**	**4,613**	**2,980**	**2,952**	**28**
– recognised in profit or loss					108
– recognised in equity (*)					(80)

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

Of the above-reported value of net deferred tax assets, the amount of PLN 324 thousand, as at 31 December 2019, concerns items that the Parent Company expects to realise over a period exceeding 12 months. There are no temporary differences related to investments in subsidiaries for which a deferred tax provision should be created.

31. Earnings per share

	12 months ended 31 December 2019	2018
Net profit	**44,825**	**43,767**
Weighted average number of ordinary shares ('000)	75,042	75,042
Basic earnings per share from continuing operations (PLN)	**0.60**	**0.58**
Diluted net profit	44,825	43,767
Weighted average number of ordinary shares used for calculating basic earnings per share ('000)	75,042	75,042
Dilution impact:	-	-
Adjusted weighted average number of ordinary shares used for calculating diluted earnings per share ('000)	75,042	75,042
Diluted earnings per share from continuing operations (PLN)	**0.60**	**0.58**

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 2019 the Group had no potential dilutive instruments.

32. Financial guarantees granted and received

As at 31 December 2019, the Group had the following guarantees:

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 196,870	28 February 2020 (*)
2	Sopockie Towarzystwo Ubezpieczeń ERGO Hestia S.A.	Guarantee of payment of custom debts	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 2020

(*) after the end of the financial year, the guarantee was extended until 28 February 2021, for the amount of EUR 199,787.

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.

33. Contingent assets and liabilities

On 29 November 2012, the Parent Company and TOYA Development Sp. z o.o. Spółka Komandytowa in liquidation (hereinafter: Toya Development) concluded an agreement (the "Agreement") concerning a legal defect of the real property which was contributed in kind on 6 April 2011 pursuant to Resolution No 1 of the Extraordinary General Shareholders' Meeting of TOYA Development by TOYA S.A., which at that time was the company's general partner. The real property in question comprises land with the expenditure incurred thereon. The contributed real property had a legal defect, i.e. on 6 April 2011 TOYA S.A. was not its owner since, pursuant to a decision of the Head of Wisznia Mała Municipality of 7 May 2007, this plot of land became the property of Trzebnicki Poviat on 8 June 2007. TOYA S.A. is entitled to pursue claims against Trzebnicki Poviat due to expropriation of the abovementioned real property and the expenditure incurred thereon. Had the legal defect of the in-kind contribution not existed and had the transfer of ownership of the real property been effective, TOYA Development would be entitled to the claims of TOYA S.A. Thus, by way of compensation for the damage resulting from the property's legal defect, TOYA S.A. has undertaken to pay TOYA Development compensation equal to the compensation obtained from the Trzebnicki Poviat. The right to compensation will arise provided that Toya S.A. receives compensation from the Trzebnicki Poviat and in the amount obtained from the Trzebnicki Poviat. As at 31 December 2015, the contingent liability includes compensation due to the incurred expenditure, whose revaluated value was estimated at net PLN 2.5 million. At the same time, as at 31 December 2015, the Parent Company had a contingent asset due to compensation for the incurred expenditure from the Trzebnicki Poviat in the same amount, i.e. approx. net of PLN 2.5 million.

On 24 January 2014, TOYA S.A. filed a lawsuit in the Regional Court in Wrocław against the Trzebnicki Poviat for the repayment of the disputed amount. In July 2015, the lawsuit was dismissed by the Court and in September 2015, the Company appealed against this decision. On 14 June 2016 the appeal was dismissed. The Court decision is final and legally valid, therefore as of 31 December 2016 the contingent liability for compensation due to the incurred expenditure and the contingent asset due to compensation for the incurred expenditure from the Trzebnicki Poviat in the same amount, have been terminated.

On 21 November 2017, TOYA S.A. received request from TOYA Development for payment of PLN 3,076 thousand (the "Request"), due to the legal defect of the real property which was contributed in kind to TOYA Development by TOYA S.A. on 6 April 2011, pursuant to Resolution No 1 of the Extraordinary General Shareholders' Meeting of TOYA Development. Based on legal opinions obtained, the Request has been considered as unfounded, due to the fact that the matter of compensation for damage resulting from the legal defect of the real property had already been regulated in the Agreement between the parties. As a result, in opinion of TOYA S.A., the Request received from TOYA Development has no valid factual and legal grounds. As at December 31, 2019, no proceedings are pending and according to the Management Board of TOYA S.A., the probability that the payment will have to be made is low, therefore no provision for that purpose has been recognised in the consolidated financial statements as at 31 December 2019.

34. Transactions with related entities

In 2019 and 2018, the Group effected transactions with the following related parties:

- Toya Development Sp. z o.o. S.K. in liquidation – entity related through key management personnel,
- Grzegorz Pinkosz – President of the Management Board – key management personnel,
- Maciej Lubnauer – Vice-President of the Management Board – key management personnel,
- Piotr Mondalski – President of the Supervisory Board – key management personnel,
- Jan Szmidt – Vice-President of the Supervisory Board – key management personnel,
- Dariusz Górka – Member of the Supervisory Board – key management personnel,
- Grzegorz Maciąg – Member of the Supervisory Board – key management personnel,
- Michał Kobus - Member of the Supervisory Board – key management personnel,
- Tomasz Koprowski – Member of the Supervisory Board – key management personnel until 29 August 2018,
- Wojciech Bartłomiej Papierak - Member of the Supervisory Board – key management personnel,
- Beata Szmidt - Member of the Supervisory Board since 20 November 2018 – key management personnel.

In the years ended 31 December 2019 and 31 December 2018, 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 Parent Company comprise the key management personnel of the Group.

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

	2019	2018
Remunerations and benefits under employment contracts and appointment contracts — Management Board	2,048	2,042
Social insurance (ZUS) costs borne by the Company – Management Board	91	88
Remunerations for positions held – Supervisory Board	588	583
Social insurance (ZUS) costs borne by the Company – Supervisory Board	99	94

Apart from the transactions mentioned above and in the table on the next page, the Group did not execute any transactions with the key management personnel.

Transactions with related entities (cont.)

	Trade and other receivables	Trade and other payables	Revenue from sales of goods	Purchase of goods and services	Remuneration for work	Dividend paid
	31.12.2019		1.01.2019 - 31.12.2019			
Entities related through key management personnel	4	9	21	35	-	-
Key management personnel	-	-	-	-	2,638	-
Total	**4**	**9**	**21**	**35**	**2,638**	**-**
	31.12.2018		**1.01.2018 - 31.12.2018**			
Entities related through key management personnel	3	-	29	12	-	-
Key management personnel	-	-	-	-	2,625	19,576
Person closely-related with a key management personnel	-	-	-	-		1,522
Total	**3**	**-**	**29**	**12**	**2,625**	**21,098**

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

35. Material events subsequent to the end of reporting period

35.1. Resolutions adopted by the Extraordinary General Meeting of Shareholders on 20 January 2020

On 20 January 2020, the Extraordinary General Meeting of Shareholders took place, which repealed Resolution No. 21 of the General Meeting of Shareholders of 26 June 2019 regarding the authorization of the Management Board to purchase own shares and gave it a new content, according to which:

- the authorization period for the Management Board to purchase own shares was shortened until 29 February 2020 (previous date: 31 May 2020);
- the minimum payment amount per share was set at PLN 7 and the maximum payment amount at PLN 7.50 (previous values of PLN 5.20 and PLN 7.8 per share, respectively);
- the goal of shares buyback was narrowed down to buying shares "for redemption".

35.2. Annex to a significant agreement

On 6 February 2020, TOYA S.A. and mBank S.A. with its registered office in Warsaw, concluded Annex No. 1 to the Overdraft Credit Facility Agreement No. 09/030/19/Z/VV. Pursuant to this annex, the date of final repayment of the debt was set at 30 September 2020.

The other terms and conditions of the Agreement remain without any significant changes and do not deviate from the generally applicable terms and conditions with respect to this type of agreements.

35.3. Convening of the Extraordinary General Meeting of Shareholders on 17 March 2020

On 19 February 2020, the Company's Management Board convened an Extraordinary General Meeting of Shareholders for 17 March 2020, in connection with the request of a shareholder representing at least 1/20 of the share capital in the Company. The request concerned an amendment to the resolution of the Extraordinary General Meeting of Shareholders of 20 January 2020, regarding the authorization of the Management Board to purchase own shares. In connection with the announcement of a COVID-19 coronavirus pandemic by the WHO, a minority shareholder filed a motion to cancel the Extraordinary General Meeting of Shareholders.

35.4. Conclusion of the agreement by Yato Tools (Jiaxing) Co. Ltd.

On 21 February 2020, Yato Tools (Jiaxing) Co., Ltd. with headquarters in Baibu Town, entered into an agreement with Bureau of Natural Resources and Planning of Haiyan County, under which the subsidiary acquired a title to the property of 15,097 square meters in Baibu Town located in Zhejiang Province of the People's Republic of China. According to the agreement, the property title will be granted to the company for a period of 50 years from 17 March 2020. Value of the contract is estimated to CNY 7,925,925. A subsidiary intends to build a warehouse on this property. Other terms of the Agreement do not differ from commonly used terms for this type of agreements on the Chinese market.

35.5. Impact of the COVID-19 coronavirus pandemic on group activities

The Group purchases goods from suppliers located in various parts of the world, but in particular in Asia. The spread of the COVID-19 coronavirus in that area in the first quarter of 2020 resulted in unexpected extension of the New Year's break, which is traditionally associated with celebrations of the Chinese New Year, which this year was January 25th. This resulted in reduced supply of goods ordered by the Group from local suppliers. However, the Group expects that in the coming weeks it will be able to realize orders at the level similar to previous years, due to the likely gradual deceleration of risk.

The Group considers that the occurrence of disruptions in the supply chain referred to above will not have a significant impact on the Group's results in the coming quarters, due to the fact that the interruption in supplies from that region occurs every year in that period (due to the Chinese New Year) and the impact of its unexpected extension this year is offset by sufficient volume of inventories on stock held by the Group companies.

On 11 March 2020, the World Health Organization (WHO) announced a COVID-19 coronavirus pandemic due to the spread of the threat to various regions of the world, including Europe, and in particular Italy. An increased threat was also observed in Poland. The Parent Company closely monitors the development of the situation and the efforts of state institutions to stop the pandemic and limit its effects. All Group companies comply with the recommendations of state authorities, including sanitary authorities and local authorities, in the field of protection of employees, their families and all contractors. In this respect, the companies will cooperate with all institutions with the utmost diligence, in accordance with local laws.

The situation associated with the occurrence of the COVID-19 pandemic in Poland, Europe and other regions of the world may have an impact on the development of the Group's operations and financial results in the near future, may limit or even prevent intensive development of the Group. Due to the very dynamic development of the pandemic, its nature and geographical diversity of the Group companies, the impact on financial results cannot be reliably estimated as at the date of publication of the financial statements. Yato Tools (Shanghai) - a Chinese company, has already commenced normal operating activities, although it must take into account the expected extension of the period of collection of receivables from customers, whose headquarters are located in countries where the state authorities are still keeping in force the anti-epidemic measures. The Parent Company and Toya Romania operate in Europe, where the fight against coronavirus has been started relatively recently. As at the date of publication of this report, the Group conducts sales in accordance with the orders placed, and inventories on stock and a stable financial situation ensure operational continuity of operations. Possible risks in this segment depend, among others, on purchasing activities and financial liquidity of clients and possible additional restrictions imposed by state and local authorities.

Management Board of Toya S.A.

Date	Name and surname	Position	Signature
26.03.2020	Grzegorz Pinkosz	President of the Management Board	
26.03.2020	Maciej Lubnauer	Vice-President of the Management Board	

Person responsible for bookkeeping:

Date	Name and surname	Position	Signature
26.03.2020	Iwona Banik	Chief Accountant	