



TOYA S.A.

Financial statements for the year ended 31 December 2012

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Financial statements for the year ended 31 December 2012
(All amounts in PLN '000, unless indicated otherwise)

Statement of financial position

		31 December 2012	31 December 2011
ASSETS	Note		
Non-current assets			
Property, plant and equipment	6	15,862	15,574
Intangible assets	7	891	621
Investments in subsidiaries and jointly-controlled entities	8	3,243	3,243
Trade receivables and other long-term receivables	9	3,792	236
Deferred income tax assets	27	1,205	576
		<hr/> 24,993	<hr/> 20,250
Current assets			
Inventory	10	92,054	94,354
Trade and other receivables	11	30,277	41,416
Cash and cash equivalents	12	3,248	1,820
		<hr/> 125,579	<hr/> 137,590
Total assets		<hr/> 150,572	<hr/> 157,840
EQUITY AND LIABILITIES			
Equity			
Share capital	13	7,521	7,484
Share premium		24,078	22,907
Other reserve capital	14	1,853	1,175
Retained earnings	15	68,954	51,989
		<hr/> 102,406	<hr/> 83,555
Long-term liabilities			
Liabilities from finance leases	19	-	154
Liabilities from employee benefits	18	139	107
		<hr/> 139	<hr/> 261
Short-term liabilities			
Trade and other payables	17	18,548	23,114
Liabilities from employee benefits	18	385	315
Liabilities from loans and borrowings	16	27,738	46,692
Liabilities from finance leases	19	154	154
Liabilities from current income tax		977	3,520
Provisions	21	225	229
		<hr/> 48,027	<hr/> 74,024
Total liabilities		<hr/> 48,166	<hr/> 74,285
Total equity and liabilities		<hr/> 150,572	<hr/> 157,840

Notes constitute an integral part of these financial statements

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Financial statements for the year ended 31 December 2012
 (All amounts in PLN '000, unless indicated otherwise)

Statement of comprehensive income

	Note	12 months ended 31 December	
		2012	2011
Revenue from sales	22, 32	194,043	202,352
Cost of sales	23, 32	(133,647)	(136,267)
Gross profit		60,396	66,085
Selling costs	23	(23,179)	(23,156)
Administrative expenses	23	(10,568)	(10,223)
Other operating income	25	455	1,703
Other operating expenses	25	(2,219)	(569)
Operating profit		24,885	33,840
Financial income	26	-	65
Financial expenses	26	(3,391)	(3,994)
Profit before tax		21,494	29,911
Income tax	27	(4,529)	(5,899)
Net profit from continuing operations		16,965	24,012
Net profit on discontinued operations	33	-	497
Net profit		16,965	24,509
Other net comprehensive income		-	-
Net comprehensive income for the financial year		16,965	24,509
Net profit for the period attributable to shareholders of the parent company		16,965	24,509
Total comprehensive income for the period attributable to shareholders of the parent company		16,965	24,509
Basic/diluted earnings per share from continuing operations (PLN)		0.23	0.35
Basic/diluted earnings per share from discontinued operations (PLN)		-	0.01

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Statement of changes in equity

	Share capital	Transaction costs related to public share issue	Share premium	Other reserve capital	Retained earnings	Total
As at 1 January 2012	7,484	-	22,907	1,175	51,989	83,555
Net profit	-	-	-	-	16,965	16,965
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	16,965	16,965
Transactions with owners						
Issue of shares	37	-	1,171	(1,171)	-	37
Share option scheme	-	-	-	1,849	-	1,849
Total transactions with owners	37	-	1,171	678	-	1,886
As at 31 December 2012	7,521	-	24,078	1,853	68,954	102,406
As at 1 January 2011	6,557	(398)	-	-	76,592	82,751
Net profit	-	-	-	-	24,509	24,509
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	24,509	24,509
Transactions with owners						
Payment of dividend	-	-	-	-	(9,282)	(9,282)
Distribution of disposal group	-	-	-	-	(41,652)	(41,652)
Compensation for withdrawal from general partner position in Toya Development Sp. z o.o. SKA	-	-	-	-	1,822	1,822
Issue of shares	927	(1,705)	25,010	-	-	24,232
Reduction of share premium by transaction costs related to share issue	-	2,103	(2,103)	-	-	-
Share option scheme	-	-	-	1,175	-	1,175
Total transactions with owners	927	398	22,907	1,175	(49,112)	(23,705)
As at 31 December 2011	7,484	-	22,907	1,175	51,989	83,555

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Cash flow statement

	Note	12 months ended 31 December	
		2012	2011
Cash flows from continuing operating activities			
Profit before tax		21,494	29,911
Adjustments for:			
Amortisation and depreciation		1,465	2,120
Interest		3,390	3,994
Profit/Loss on investing activities		(1)	5
Foreign exchange gains/losses		7	(12)
Valuation of share options		1,849	1,175
Changes in balance sheet items:			
Change in trade and other receivables		7,023	(1,335)
Change in inventories		2,300	(23,037)
Change in provisions		(4)	12
Change in trade and other payables		(4,566)	(3,015)
Change in employee benefit liabilities		102	(534)
Income tax paid		(7,700)	(3,523)
Other adjustments		-	(2)
Net cash from continuing operating activities		25,359	5,759
Net cash from discontinued operating activities		-	6,028
Cash flows from continuing investing activities			
Proceeds from sale of property, plant and equipment and intangible assets		10	-
Purchases of property, plant and equipment and intangible assets		(2,022)	(2,347)
Net cash from continuing investing activities		(2,012)	(2,347)
Net cash from discontinued investing activities		-	(2)
Cash flows from continuing financing activities			
Proceeds from loans and borrowings		12,098	34,547
Repayments of loans and borrowings		(31,109)	(48,228)
Repayment of liabilities arising from finance leases		(154)	(154)
Interest paid on loans and borrowings		(2,766)	(3,953)
Interests paid on leases		(19)	(19)
Proceeds from shares issues		37	25,936
Transaction costs arising from public share issues		-	(1,705)
Dividends paid		-	(9,282)
Net cash from continuing financing activities		(21,913)	(2,858)
Net cash from discontinued financing activities		-	(2,074)

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		12 months ended 31 December	
		2012	2011
Change in cash and cash equivalents – continuing operations		1,434	554
Change in cash and cash equivalents – discontinued operations		-	3,952
Change in cash and cash equivalents – continuing and discontinued operations		1,434	4,506
Cash and cash equivalents at the beginning of the period	12	1,820	1,598
<i>- including cash of discontinued operations</i>		-	310
Distribution of cash relating to the distribution of disposal group		-	(4,296)
Exchange gains/(losses) on measurement of cash and cash equivalents		(6)	12
Cash and cash equivalents at the end of the period	12	3,248	1,820
<i>- including cash of discontinued operations</i>		-	-

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Accounting policy and other explanatory notes**1. General information**

TOYA S.A. (hereinafter referred to as the "Company") is a joint-stock company, established on the basis of 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 in the Commercial Register maintained by the District Court for Wrocław-Fabryczna, VI Commercial Division, under entry No RHB 9053. By virtue of a decision of 4 December 2001, the District Court for Wrocław-Fabryczna, VI Commercial Division of the National Court Register, entered the Company into the Register of Entrepreneurs under entry No KRS 0000066712.

As at 31 December 2012, 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). Furthermore, a subsidiary – TOYA Romania S.A. – was established in 2003, whose business consists in selling hand and power tools in Romania. That company offers the same products and brands as those offered by the Company in Poland.

Duration of the Company is unlimited.

As at 31 December 2012, joint control of the Company is exercised by: Jan Szmidt, Romuald Szałagan, Tomasz Koprowski, Piotr Wojciechowski, Beata Szmidt, Wioletta Koprowska, Beata Szałagan and Elżbieta Wojciechowska. Joint control is exercised based on an agreement entered into on 31 August 2010 by the following shareholders: Jan Szmidt, Romuald Szałagan and Tomasz Koprowski, joined on 6 April 2011 by Piotr Wojciechowski and on 9 August 2011 by Beata Szmidt, Wioletta Koprowska, Beata Szałagan and Elżbieta Wojciechowska. Under this agreement the parties undertook to cooperate on all matters concerning the Company, including to agree their positions submitted to the Company's governing bodies, and to unanimously vote on resolutions adopted by the Company's General Shareholders Meeting.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

These financial statements of the Company for the financial year ended 31 December 2012 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and interpretations issued by the International Accounting Standards Board, as adopted by the European Union ("EU").

These financial statements have been prepared in accordance with IFRS and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") which had been issued and were in effect as at the reporting date, i.e. 31 December 2012.

The policies described below have been consistently applied to all the periods presented.

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

The preparation of financial statements in conformity with IFRS requires the use of significant accounting estimates. It also requires the Management Board to exercise judgement in the process of applying the accounting policies adopted by the Company. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are material from the point of view of the financial statements are disclosed in note 4.

Approval of the financial statements

These financial statements were approved for publication and signed by the Management Board on 10 April 2013.

Going concern

These financial statements were prepared under the assumption that the Company will continue as a going concern in the foreseeable future. As of the date of the approval of these financial statements, no circumstances are identified that would indicate a threat to the Company's ability to continue as a going concern.

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

These financial statements have been prepared on the basis of the EU IFRS issued and effective as at the reporting date, i.e. 31 December 2012.

The EU IFRS comprise all International Accounting Standards, International Financial Reporting Standards and related Interpretations, excluding Standards and Interpretations awaiting endorsement by the European Union.

a) New standards, interpretations and amendments to existing standards effective in 2012

The following new and revised standards and interpretations, which became effective on 1 January 2012 or later, were applied for the first time in these financial statements:

- **Amendments to IFRS 7 – “Disclosure of information about transfers of financial assets”**

The purpose of the amendments is to increase the transparency of information on risks involving transactions in which financial assets were transferred. The amendments to IFRS 7 require the presentation in a separate note to the financial statements for each class of financial assets transferred, which were not entirely derecognised, information on the nature and carrying amount of assets transferred and the risks and rewards associated with them. For the assets transferred, in which the entity continues to be involved, the amended IFRS 7 requires disclosure of information enabling the evaluation of the nature of the involvement and of the risks associated with the continuing involvement of the entity with the derecognised financial assets, by each class of continued involvement, including the carrying amount and fair value of financial assets and liabilities representing the continued involvement of the entity in the derecognised financial assets.

At present, the amendments have no material impact on these financial statements. Should there occur such transactions which will involve the amendments to IFRS 7, the Company will provide disclosures in the financial statements pursuant to the new requirements.

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

The following new standards, interpretations and amendments have been published and are effective for reporting periods beginning on or after 1 January 2013:

- **IFRS 9 “Financial Instruments Phase 1: Classification and measurement”**

IFRS 9 published by the International Accounting Standards Board on 12 November 2009 replaces those parts of IAS 39 which refer to the classification and measurement of financial assets. In October 2010, IFRS 9 was supplemented with the issues of classification and measurement of financial liabilities. In accordance with amendments introduced in December 2011, the new standard is valid for annual periods starting on or after 1 January 2015.

The standard introduces one model providing for only two categories of classification of financial assets: measured at fair value and measured at amortised cost. The classification is performed as at the initial recognition and depends on the financial instrument management model adopted by the entity, as well as the characteristics of contractual cash flow from those instruments.

Most of the IAS 39 requirements with regard to classification and measurement of financial liabilities have been moved to IFRS 9 in an unchanged form. The key change is the requirement imposed on entities – to publish changes of own credit risk from financial liabilities earmarked for fair value measurement through profit or loss in other total income.

As at the date of drawing up these financial statements, IFRS 9 has not yet been approved by the European Union. The Company intends to apply IFRS 9 as of the date of entry into force established by the EU.

The Company is currently assessing the effects of these amendments and their impact on the financial statements.

- **IFRS 10 “Consolidated financial statements”**

IFRS 10 was published by the International Accounting Standards Board in May 2011 and is valid for annual periods starting on or after 1 January 2013 (mandatory in the European Union as of 1 January 2014).

The new standard replaces guidelines concerning control and consolidation contained in IAS 27 “Consolidated and separate financial statements” and in SIC interpretation 12 “Consolidation – special purpose entities”. IFRS 10 changes the definition of control in such a way that the same control determination criteria are in force for all entities. The changed definition is accompanied by extensive guidelines concerning application.

The Company will apply IFRS 10 as of 1 January 2014.

The Company is currently assessing the effects of these amendments and their impact on the financial statements.

- **IFRS 11 “Joint arrangements”**

IFRS 11 was published by the International Accounting Standards Board in May 2011 and is valid for annual periods starting on or after 1 January 2013 (mandatory in the European Union as of 1 January 2014).

The new standard replaces IAS 31 “Interests in joint ventures” and interpretation SIC-13 “Jointly Controlled Entities – Non-Monetary Contributions by Venturers”. Changes in definitions restricted the number of joint ventures to two: joint operations and joint ventures. At the same time, the previous possibility of selecting proportionate consolidation in relation to entities under joint control was eliminated. All venturers are currently obliged to recognise them under the equity method.

The Company will apply IFRS 11 as of 1 January 2014.

The Company is currently assessing the effects of these amendments and their impact on the financial statements.

- **IFRS 12 “Disclosure of interests in other entities”**

IFRS 12 was published by the International Accounting Standards Board in May 2011 and is valid for annual periods starting on or after 1 January 2013 (mandatory in the European Union as of 1 January 2014).

The new standard concerns entities with interests in a subsidiary, joint arrangement (joint operation or joint venture), associates or unconsolidated structured entity. The standard replaces the disclosure requirements currently contained in IAS 27 “Consolidated and Separate Financial Statements”, IAS 28 “Investments in Associates” and IAS 31 “Interests in Joint Ventures”. IFRS 12 requires that entities disclose information which will help the users of financial statements to assess the nature, risk and financial consequences of investments in subsidiaries, associates, joint arrangements and unconsolidated structured entities. For that purpose, the new standard imposes the requirement to disclose information concerning many areas, including significant evaluations and assumptions adopted when determining whether an entity has control or joint control of, or significant influence over, another entity; extensive information about the importance of non-controlling entities in the group’s activities and cash flows; summary financial information about subsidiaries with considerable non-controlling interests, as well as detailed information about holdings in unconsolidated structured entities.

The Company will apply IFRS 12 as of 1 January 2014.

The Company is currently assessing the effects of these amendments and their impact on the financial statements.

- **IFRS 13 “Fair value measurement”**

IFRS 13 was published by the International Accounting Standards Board in May 2011 and is valid for annual periods starting on or after 1 January 2013.

The purpose of the new standard is to improve cohesion and reduce complexity through the formulation of a precise definition of fair value and combining requirements concerning fair value measurement and disclosure of relevant information in one standard.

The Company will apply IFRS 13 as of 1 January 2013.

The Company is currently assessing the effects of these amendments and their impact on the financial statements.

- **Amended IAS 27 “Separate financial statements”**

The amended IAS 27 “Separate financial statements” was published by the International Accounting Standards Board in May 2011 and is valid for annual periods starting on or after 1 January 2013 (mandatory in the European Union as of 1 January 2014).

IAS 27 was amended in relation to the publication of IFRS 10 “Consolidated financial statements”. The purpose of the amended IAS 27 is to determine requirements for disclosure and presentation of investments in subsidiaries, joint ventures entities and associates when an entity draws up separate financial statements. The guidelines on the control and consolidated financial statements were replaced by IFRS 10.

The Company will apply the amended IAS 27 from 1 January 2014.

The Company is currently assessing the effects of these amendments and their impact on the financial statements.

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

The amended IAS 28 “Investments in associates and joint ventures” was published by the International Accounting Standards Board in May 2011 and is valid for annual periods starting on or after 1 January 2013 (mandatory in the European Union as of 1 January 2014).

Amendments to IAS 28 resulted from the IASB on joint arrangements. The Board decided to include the principles concerning the recognition of joint arrangements under the equity method in IAS 28 because that method applied both to joint ventures and associates. With this exception, other guidelines remained unchanged.

The Company will apply the amended IAS 28 as of 1 January 2014.

The Company is currently assessing the effects of these amendments and their impact on the financial statements.

- **“Recovery of underlying assets” – amendments to IAS 12**

Amendments to IAS 12 “Income Taxes” concerning the recovery of underlying assets were published by the International Accounting Standards Board in December 2010 and are valid for annual periods starting on or after 1 January 2012 (mandatory in the European Union as of 1 January 2013).

The amendments concern the valuation of deferred income tax provisions and assets with regard to investment properties measured at fair value in accordance with IAS 40 “Investment property” and introduce a rebuttable presumption that the carrying amount of the investment property will be recovered entirely through sale. This presumption can be rebutted if the

investment property is held within a business model whose objective is to consume basically all economic benefits represented by the investment property during use and not at the time of sale. SIC-21 "Income tax – Recovery of revalued non-depreciable assets" referring to similar issues concerning assets not subject to depreciation, which are valued in accordance with the revaluation method presented in IAS 16 "Property, plant and equipment" has been included in IAS 12 after the exclusion of guidelines concerning investment properties measured at fair value.

The Company will apply the amendments to IAS 12 as of 1 January 2013.

The amendments to IAS 12 will have no material impact on the financial statements of the Company.

- **"Presentation of items of other comprehensive income" – amendments to IAS 1**

Amendments to IAS 1 "Presentation of financial statements" concerning presentation of components of other total income were published by the International Accounting Standards Board in June 2011 and are valid for annual periods starting on or after 1 July 2012.

The amendments require that entities divide items presented under other total income into two groups on the basis of whether in the future they may be included in the financial result. Additionally, the title of statements on total income was changed to "statement of profit or loss and other comprehensive income".

The Company will apply the amendments to IAS 1 as of 1 January 2013.

The amendments to IAS 1 will have no material impact on the financial statements of the Company.

- **Amendments to IAS 19 "Employee benefits"**

Amendments to IAS 19 „Employee benefits" were published by the International Accounting Standards Board in June 2011 and are valid for annual periods starting on or after 1 January 2013.

The amendments introduce new requirements with regard to recognition and measurement of the costs of specific benefit schemes and termination benefits, and they amend the required disclosures concerning all employee benefits.

The Company will apply the amendments to IAS 19 as of 1 January 2013.

The Company is currently assessing the effects of these amendments and their impact on the financial statements.

- **"Offsetting financial assets and financial liabilities" – amendments to IAS 32**

Amendments to IAS 32 "Financial instruments: presentation" concerning the offsetting of financial assets and liabilities were published by the International Accounting Standards Board in December 2011 and are valid for annual periods starting on or after 1 January 2014.

The amendments introduce additional explanations to the application of IAS 32 in order to clarify inconsistencies encountered during the application of some offsetting criteria. They include a clarification as to what the term "has a legally enforceable right to set off the amounts" means, as well as that certain mechanisms of gross settlement may be treated as net settlement where appropriate conditions have been met.

The Company will apply the amendments to IAS 32 as of 1 January 2014.

The Company is currently assessing the effects of these amendments and their impact on the financial statements.

- **“Disclosure of information – offsetting financial assets and financial liabilities” – amendments to IFRS 7**

Amendments to IFRS 7 – offsetting financial assets and financial liabilities – were published by the International Accounting Standards Board in December 2011 and are effective for annual periods beginning on or after 1 January 2013.

The amendments introduce the obligation to present new disclosures which will enable users of financial statements to assess effects or potential effects of agreements allowing net settlements, including rights to set off.

The Company will apply the amendments to IFRS 7 as of 1 January 2013.

The Company is currently assessing the impact of the amended standard on its financial statements.

- **“Government loans” – Amendments to IFRS 1**

Amendments to IFRS 1 “First-time adoption of IFRS” concerning government loans were published by the International Accounting Standards Board in March 2012 and are effective for annual periods beginning on or after 1 January 2013.

The amendments, which concern loans taken out by an entity on preferential terms (interest rate below the market rate), allow entities preparing financial statements under IFRS for the first time to be exempt from full retrospective recognition of such transactions. The amendments, therefore, introduce the same exemption for first-time adopters of IFRS as for the other entities.

As at the date of drawing up these financial statements, the amendments to IFRS 1 have not yet been approved by the European Union.

The amendments do not apply to the Company's operations.

- **IFRIC 20 “Stripping costs in the production phase of a surface mine”**

IFRIC Interpretation 20 was published by the International Accounting Standards Board in October 2011 and is valid for annual periods starting on or after 1 January 2013.

The interpretation explains that the costs of stripping activity to be accounted for in accordance with the principles of IAS 2 “Inventories” to the extent that the benefit from the stripping activity is realised in the form of inventory produced. However, if the stripping activity provides a benefit in the form of improved access to ore, the entity should recognise the costs as a non-current 'stripping activity asset', provided that criteria specified in the interpretation are met.

The interpretation is not applicable to the Company's operations.

- **Improvements to IFRS 2009–2011**

In May 2012, the International Accounting Standards Board published the “Improvements to IFRS 2009–2011”, amending 5 standards. The improvements contain changes in the presentation, recognition and valuation, as well as terminological and editing changes. The changes will be valid for annual periods starting on 1 January 2013.

As at the date of drawing up these financial statements, the Improvements to IFRS 2009–2011 have not yet been approved by the European Union. The Company intends to apply the Improvements to IFRS 2009–2011 as of the date of entry into force established by the EU.

The Company is currently assessing the impact of the amended standard on its financial statements.

- **Amendments to the transitional provisions of IFRS 10, IFRS 11, IFRS 12**

In June 2012, the International Accounting Standards Board published amendments to the transitional provisions of IFRS 10, IFRS 11 and IFRS 12. The amendments will be valid for annual periods starting on 1 January 2013 or earlier – if the standard on which they are based (IFRS 10, 11 or 12) have been used at an earlier date.

The amendments clarify the transitional provisions of IFRS 10 “Consolidated Financial Statements”. Entities adopting IFRS 10 should assess control as at the first day of the annual period in which IFRS 10 is adopted and if the results of this assessment differ from the conclusions of IAS 27 and SIC 12 then comparative data should be restated, unless impracticable. The amendments also introduce additional transitional relief in the application of IFRS 10, IFRS 11 and IFRS 12, by limiting the requirement to present adjusted comparative data only to data for the immediately preceding reporting period. In addition, the amendments remove the requirement to present comparative information for disclosures related to unconsolidated structured entities for periods before IFRS 12 was first applied.

As at the date of these consolidated financial statements, the amendments to the transitional provisions of IFRS 10, IFRS 11, IFRS 12 have not yet been approved by the European Union. The Company will apply the aforesaid amendments as of the date of entry into force established by the EU.

The Company is currently assessing the impact of the amended standard on its financial statements.

- **“Investment Entities” – amendments to IFRS 10, IFRS 12 and IAS 27**

Amendments to IFRS 10, IFRS 12 and IAS 27 “Investment Entities” were published by the International Accounting Standards Board in October 2012 and are effective for annual periods beginning on or after 1 January 2014.

The amendments introduce the definition of an investment entity to IFRS 10. Such entities will be required to recognise their subsidiaries at fair value through profit or loss and consolidate only those subsidiaries that provide them with services associated with the investing activities of the company. IFRS 12 was also amended by introducing new disclosures on investment entities.

As at the date of these financial statements, the amendments to IFRS 10, IFRS 12 and IAS 27 have not yet been approved by the European Union. The Company will apply the aforesaid amendments as of the date of entry into force established by the EU.

The amendments do not apply to the Company's operations.

In these financial statements, no standard or interpretation was adopted prior to its effective date or prior to approval by the European Union.

2.2 Interests in subsidiaries and jointly-controlled entities

Interests in controlled or jointly controlled entities are recognised at acquisition cost.

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

2.3 Segment reporting

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

2.4 Valuation of items denominated in foreign currencies

Functional currency

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

Transactions and balances

Transactions expressed in foreign currencies are translated to the functional currency using the exchange rate effective for 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.

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

Currency	31 December 2012	31 December 2011
EUR 1	4.0882	4.4168
USD 1	3.0996	3.4174
RON 1	0.9197	1.0226
CNY 1	0.4975	0.5428

2.5 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 acquisition of an asset and its adaptation for its intended use, including the costs of transport, loading and unloading. Rebates, discounts as well as other similar concessions and recoveries decrease the asset acquisition cost.

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

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

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Except for land and tangible fixed 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	3% to 6%
Plant and equipment	5% to 50%
Vehicles	8% to 50%
Other tangible fixed assets	10% to 100%

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

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

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

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

2.6 Leases

Finance leases, which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased asset, are recognised in the 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 such a way as 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 whereby the lessor retains substantially all the risks and rewards incidental to ownership of the leased 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.

2.7 Intangible assets

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

Any subsequent expenditure on existing intangible assets is capitalised only when it increases the future economic benefits to be generated by the asset. Other expenditures are recognised in 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 the components of intangible assets, using the straight line method. The amortisation rates applied to intangible assets are as follows:

Trademarks	20%
Licences and software	5% to 50%

The Company carries out research and development activities pertaining to the construction and development of the functionality of an on-line store platform.

An intangible asset arising from development activities is recognised when the entity can demonstrate:

- a) that it is able, from a technical point of view, to complete the intangible asset so that it can be sold or used
- b) that it intends to complete the intangible asset as well as to use it or sell it
- c) that it is able to use or sell the intangible asset
- d) the manner in which the intangible asset will generate probable future economic benefits
- e) the availability of adequate technical, financial and other resources to complete development and to use or sell the intangible asset
- f) the ability to measure reliably the expenditure during the development that can be attributed to the intangible asset.

Until the end of development work, capitalised development costs are recognised as intangible assets under development and are not amortised. Expenditure on research activities is recognised as an expense when incurred.

2.8 Impairment on non-financial non-current assets

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

The recoverable amount of an asset or cash-generating unit is equal to the higher of the asset's or cash-generating unit's fair value less costs to sell 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 the assets used in the continued operations are disclosed under the cost categories corresponding to the function of the asset with respect to which impairment has been identified.

As at the end of each reporting period, the Company assesses whether there is evidence that any impairment loss recognised in the previous periods with respect to a given asset or cash-generating unit is no longer necessary or should be reduced. If such evidence exists, the Company measures the recoverable amount of the given asset or cash-generating unit.

2.9 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 as part of the cost of tangible fixed assets or intangible assets, as appropriate, until such assets become available for their intended use.

2.10 Financial assets

Upon initial recognition, financial assets are measured at fair value of the consideration given plus transaction cost, with the exception of financial assets at fair value through profit or loss in the case of which the transaction cost is 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.

Financial instruments are classified to one of the following four categories and are recognised in the following manner:

Financial assets at fair value through profit or loss

This category includes the following two subcategories:

- financial assets held for trading, and
- financial assets designated as assets at fair value through profit or loss on initial recognition.

An asset is classified in this category if it was acquired primarily for the purpose of selling it in the near future or if it was assigned to this category by the Management Board.

Financial assets held to maturity

Financial assets held to maturity are measured at amortised cost using effective interest rate.

Loans and receivables

This category primarily includes loans granted and trade receivables.

Loans and receivables are measured at amortised cost determined using effective interest rate (in the case of current receivables, given that the discount effect would be insignificant due to short maturities, the amortised cost is assumed as equal to the initially invoiced amounts).

Available-for-sale financial assets

Available-for-sale financial assets are measured at fair value and any unrealised revaluation gains/losses are recognised in other comprehensive income.

The fair value of financial instruments for which an active market exists is determined by reference to the prices quoted on that market as at the end of the reporting period. If no quoted market price is available, the fair value is estimated based on a market price quoted for a similar instrument or based on projected cash flows. Except for financial assets at fair value through profit or loss, all financial assets are tested for impairment as at the end of the reporting period.

As at 31 December 2012 and 31 December 2011, all financial assets held by the Company were classified as "loans and receivables".

2.11 Impairment of financial assets

An impairment loss on a financial asset is recognised when there is objective evidence of its impairment which may have an adverse effect on the amount of future cash flows attributable to the asset. Significant objective evidence includes: taking legal action against a debtor, serious financial problems of a debtor, significant past due payments.

Impairment of financial assets carried at amortised cost is measured as the difference between the carrying amount of an asset and the present value of future cash flows discounted using the initial effective interest rate. Carrying amounts of individual financial assets of material unit value are reviewed as at end of each reporting period in order to check whether there is any indication of impairment. Other financial assets are assigned to groups of assets with similar credit risk and tested for impairment collectively.

Impairment losses are reversed if a subsequent increase in the recoverable amount can be objectively attributed to an event occurring after the date when impairment was recognised. Impairment losses on doubtful receivables are measured based on an analysis of historical data on collectability of receivables, including the aged structures of receivables, as well as information from the legal department concerning receivables with respect to which court proceedings have

been instigated (bankruptcies, liquidations, arrangements, claims with respect to which a court payment order is sought). In particular, impairment losses are recognised in respect of the following types of receivables:

- receivables in an enforced debt collection process – 100% of the amount of such receivables,
- receivables which are past due for more than 180 days – 50% of the amount of such receivables,
- receivables which are past due for more than one year – 100% of the amount of such receivables.

Impairment losses on receivables are charged to other expenses or to financial costs, as appropriate – depending on the type of the receivable in respect of which impairment is recognised. Impairment losses on previously accrued interest are recognised in financial costs.

2.12 Inventory

Inventory includes goods for resale (hand and power tools).

Inventories are presented at the cost of acquisition not higher than their 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.

Impairment losses on inventory are recognised in cost of sales.

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

In particular, given that the estimated average period in which individual goods for resale are sold is three years, an impairment loss on inventory of goods for resale (tools and power tools) is recognised if the quantitative inventory consumption in a given year is lower than 33% of the total of purchases and the year opening balance for a given item. In the case of goods for resale, if the balance of any particular inventory item at the year end exceeds the estimated consumption of this inventory item over the next two years, a relevant impairment is recognised.

2.13 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.

2.14 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 Parent 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 related to public share issue,
- reserve capital is created in relation to the Company's share based benefits for the members of the Company's Supervisory Board and Management Board and key employees of the Company. This capital is stated at fair value of granted share options.
- 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.

2.15 Bank loan liabilities

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

2.16 Trade 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.

2.17 Current and deferred income tax

Mandatory decreases of profit include current and deferred income tax.

Current income tax

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

Deferred income tax

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

Deferred tax assets are recognised only if it is probable that the Company will achieve 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, as at this level the criteria of IAS 12 "Income taxes" with respect to offsetting deferred tax assets against deferred tax liabilities were met.

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

2.18 Liabilities from employee benefits

Post-employment benefit plan – the defined contribution plan

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

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

In accordance with the applicable remuneration systems and rules, employees of the Company are entitled to death benefits and retirement severance pays. Death benefits are one-off benefits

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

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

2.19 Provisions

Provisions are created when the Company has a present obligation (legal or constructive) resulting from past events, 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 Company's historical data and past experience show that returns and complaints are generally made within three months of the date of sale. Therefore, the provision for returns and complaints is created as 0.5% of the revenue for the most recent quarter preceding the end of the given reporting period.

2.20 Recognition of revenue

Revenue is recognised at fair value of consideration received or receivable, net of VAT, returns, rebates and discounts. Revenue is recognised to the extent it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably.

Revenue from sales of goods for resale – continuing operations

Revenue from sales of goods for resale is recognised if the significant risks and rewards of the ownership of goods for resale have been transferred to the buyer, i.e. upon their release from the Company's warehouse.

Revenue from sales of recreation and catering services – discontinued operations

In most cases, revenue from sales of recreation and catering services (related to the golf field and the restaurant) is recognised on a one-off basis following the performance of a service, except for revenue from fees collected for membership in the golf club, which is recognised on a straight-line basis.

Revenue from sales of real estate – property development – discontinued operations

The Company executes property development projects, as part of which it sells real estate (primarily single-family houses). The Company recognises revenue and costs related to real estate sold upon transferring to the buyer the control and significant risk related to the ownership, i.e. on the date of execution of a sale agreement in the form of a notarial deed.

2.21 Interest income

Interest income is recognised using the effective interest rate method.

2.22 Dividends

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

2.23 Non-current assets (Disposal group) classified as held for distribution and discontinued operations

Non-current assets (disposal group) are classified as held for distribution if the entity intends to deliver the asset (or a disposal group) to its owners. This is the case when assets are available for immediate delivery in their present condition, and their delivery is highly probable (i.e. an action has been initiated to deliver the assets and is expected to be completed within a year from the classification date; actions required to complete the delivery of assets indicate that significant changes concerning the delivery of assets or its abandonment are unlikely).

Non-current assets (or a disposal group) classified as held for distribution are measured at the lower of their carrying amount or fair value less distribution costs.

Business activities recognised in the period as discontinued operations are a part of the entity classified as held for distribution which represents an important separate area of operations.

3. Material accounting estimates and judgements

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

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

Employee options

The Company measures the benefits due to the members of the Management Board and its key employees participating in the Incentive Scheme launched in 2011, based on share options. Details of the scheme are described in note 14.2. The total cost of the scheme was determined on the basis of fair value of granted options. The fair value of options does not include the impact of non-market conditions connected with the increase of the consolidated net profit of the TOYA S.A. Capital Group, this condition is, however, included in the assumptions concerning the expected number of options to which the participants are to be entitled. As at 31 December 2011, the non-market condition for 2011 had been met and the first tranche of the scheme was realised (for details see note 14). As at 31 December 2012, the condition regarding the increase in profit and the rate level had not been met. Due to the failure to meet the rate level condition, the estimate of the number of options acquired under the part of the scheme dependent on this condition has been revised and the total cost of PLN 58 thousand resulting from the valuation of options granted as part of the second tranche (2012) under that part of the Incentive Scheme has been reversed in the current year. With regard to the part of the Scheme concerning the fulfilment of the profit increase condition, the second tranche options for which rights have not been acquired may be carried forward to the subsequent years of the Scheme, in keeping with the adopted rules of the Scheme. The Management Board estimates that the non-market conditions pertaining to tranches for the years 2012–2014 will be met cumulatively in the subsequent years, therefore the costs of the Scheme regarding the increase in profit for 2012 have been estimated on the assumption that the rights to all the options granted to eligible individuals will be acquired in the subsequent years of the Scheme (2013–2014). The assumptions concerning the expected number of shares for which rights have been acquired will be revised at the end of the next reporting period and the

possible impact of the revision of the original estimates will be presented in the profit or loss.

Useful lives and depreciation rates for property, plant and equipment

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

If the actual useful lives of property, plant and equipment had been 10% shorter than the Management Board's estimates, the carrying amount of property, plant and equipment would have been lower by PLN 181 thousand as at 31 December 2012 (PLN 236 thousand as at 31 December 2011).

Provisions and impairment write-downs

As at each end of a reporting period, the Management Board of the Company makes material estimates of provisions and impairment write-downs:

- provisions for guarantees and complaints – estimated level of the ratio used to perform calculations in accordance with the policy described in Note 2.19; This ratio was determined on the basis of historical costs and claims; for details on the amount of the provision see note 21,
- impairment write-downs on inventory – estimated average period during which the product is sold, and beyond which a write-down is created in accordance with the policy described in note 2.12; for details on the amount of the write-down see note 10,
- impairment write-downs on receivables – estimated amount of the write-down created for individual maturity brackets in accordance with the policy described in note 2.11; the values are determined on the basis of a historic analysis of recoverability of past due receivables; for details on the amount of the write-down see note 11.

4. Financial risk management

4.1 Financial risk factors

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

4.2 Market risk

Foreign exchange risk

The Company purchases significant amounts of goods from foreign suppliers, located primarily in China, at prices denominated in foreign currencies, mainly in USD. As at 31 December 2012, trade payables in USD represented 75% of the total trade payables (82% as at 31 December 2011).

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The Company may use EUR and USD denominated credit facilities available under executed credit facility agreements. As at 31 December 2012 and 31 December 2011, the Company had no loan liabilities denominated in foreign currencies.

As at 31 December 2012, cash in foreign currencies (EUR and USD) represented 95% of the total cash (77% as at 31 December 2011).

39% of the Company's sales revenue is generated from exports, at prices denominated in foreign currencies, mainly in USD. As at 31 December 2012, trade receivables in EUR represented 21% of the total trade receivables (22% as at 31 December 2011).

A risk exists that future fluctuations of exchange rates may have a negative or positive effect on the Company's financial performance. To date, the Company has not made extensive use of derivative financial instruments to hedge against the results of future changes in exchange rates.

If the zloty appreciated/depreciated by 10% against the dollar (with all other conditions unchanged), the profit before income tax for 2012 would rise/drop by approximately PLN 472 thousand mainly due to the measurement of USD denominated trade receivables) (in 2011 it would rise/drop by approximately PLN 915 thousand mainly due to the measurement of USD denominated trade receivables).

If the zloty appreciated/depreciated by 10% against the euro (with all other conditions unchanged), the profit before income tax for 2012 would rise/drop by approximately PLN 154 thousand (in 2011 by approximately PLN 145 thousand) mainly due to the measurement of EUR denominated trade receivables.

In the Management Board's opinion, the concentration of foreign exchange risk is insignificant.

Risk of interest rate changes affecting cash flows and fair values

Apart from short-term bank deposits (note 12) disclosed under "Cash and cash equivalents", as at 31 December 2012 and 31 December 2011, the Company held no other interest-bearing assets.

The Company's policy envisages the use of bank loans bearing interest at variable rates. This exposes the Company to the risk of interest rate changes affecting its cash flows. As at 31 December 2012, all liabilities under bank loans bear interest at variable rates (which was also the case as at 31 December 2011).

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

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	+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	(55)	(45)	55	45
Total for 2012	(55)	(45)	55	45

	+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	(93)	(76)	93	76
Total for 2011	(93)	(76)	93	76

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

4.3 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 since the Company cooperates with renowned financial institutions which enjoy premium credit ratings (BZ WBK, Raiffeisen Bank, Citi Bank Handlowy and Millenium).

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

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

	2012	2011
Domestic sales – wholesale customers	40%	45%
Domestic sales – retail chains	21%	23%
Export	39%	32%
Total	100%	100%

As regards sales to retail chains, the Company sells its products to the largest chains in Poland. Credit exposures in this customer group are rather evenly distributed, except for 2 key retail chains which jointly account for approximately 65% of sales made through this particular channel. Credit risk exposure to retail chains is considered by the Company as low since most of them are reliable and financially transparent customers with an established market position and a sound payment history.

Within the area of wholesale distribution, the Company has established cooperation with 8 authorised distributors, a few dozen wholesalers across the country and stores. Concentration of

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receivables from wholesale customers is low – approx. 26 customers account for 75% of sales moved through this distribution channel. The Company pursues a policy of reducing credit exposures to wholesale customers with the use of a credit limit mechanism. The limits are set for each customer based on a detailed assessment of its financial performance, market position, payment discipline and the overall situation in the sector. The utilisation of credit limits is monitored on a regular basis. A transaction exceeding the credit limit may only be executed upon authorisation by authorised individuals in the sales department.

The Company mitigates its credit risk by having trade receivables insured under an insurance contract with Euler Hermes (the contract does not cover receivables owed by retail chains). As at 31 December 2012, 60% of the trade receivables were insured (43% as at 31 December 2011). In some cases, credit limits are awarded to the Company's customers on the basis of the ratings prepared based on the insurer's data. Under the insurance contract, the deductible is 10% for customers with a credit limit awarded by the insurer and 15% for customers with a credit limit awarded based on the Company's ratings.

The maturity structure of receivables and details on past due receivables are presented in note 11.

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 2012, maximum credit risk exposure is PLN 12,865 thousand (31 December 2011: PLN 23,864 thousand).

4.4 Liquidity risk

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

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

	31 December 2012	31 December 2011
Current assets	125,579	137,590
Current liabilities	48,027	74,024
	2012	2011
Cash flows from operating activities – continued operations	25,359	5,759

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

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	Up to 1 year	1–3 years	3–5 years	More than 5 years	Total
Loans and borrowings	29,114	0	0	0	29,114
Bonds	0	0	0	0	0
Trade and other payables	17,805	0	0	0	17,805
Liabilities from finance leases	173	0	0	0	173
As at 31 December 2012	47,092	0	0	0	47,092
Loans and borrowings	49,400	0	0	0	49,400
Bonds	0	0	0	0	0
Trade and other payables	22,994	0	0	0	22,994
Liabilities from finance leases	173	173	0	0	346
As at 31 December 2011	72,567	173	0	0	72,740

4.5 Capital management

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

The Company's capital management activities are aimed at protecting the Company's ability to continue its operations so as to ensure a return on investment for the shareholders and benefits for other interested parties, as well as maintenance of the optimum capital structure to lower the cost of capital.

The Company also follows a rule that non-current assets are to be fully financed by equity.

	31 December 2012	31 December 2011
Non-current assets	24,993	20,250
Equity	102,406	83,555

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

4.6 Fair value measurement

The book value of financial assets and liabilities is similar to their fair value. For disclosure purposes, the fair value of long-term financial liabilities is estimated by discounting future contractual cash flows with market interest rate currently available to the Company for similar financial instruments.

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5. Financial instruments

As at 31 December 2012	Financial assets	Other financial liabilities
	Loans and receivables	Liabilities measured at amortised cost
	33,225	
Trade receivables		-
Cash and cash equivalents	3,248	-
Trade and other payables		17,094
Loans and borrowings	-	27,738
Liabilities from finance leases	-	154
	36,473	44,986

As at 31 December 2011	Financial assets	Other financial liabilities
	Loans and receivables	Liabilities measured at amortised cost
	38,846	-
Trade receivables		-
Cash and cash equivalents	1,820	-
Trade and other payables	-	22,995
Loans and borrowings	-	46,692
Liabilities from finance leases	-	308
	40,666	69,994

Revenue and expense recognised in the 2012 financial result, relating to financial assets or financial liabilities not measured at fair value through profit or loss are presented below:

2012:

	Financial assets	Financial liabilities
Interest income	-	-
Interest expenses	(560)	(2,831)
Profits on exchange differences	1,581	-
Losses on exchange differences	(1,283)	(476)
Establishment of impairment write-downs	94	-
Reversal of impairment write-downs	(398)	-
Total net profit / (loss)	(566)	(3,307)

2011:

	Financial assets	Financial liabilities
Interest income	82	-
Interest expenses	-	(3,994)
Profits on exchange differences	1,581	-
Losses on exchange differences	-	(109)
Establishment of impairment write-downs	60	-
Reversal of impairment write-downs	(124)	-
Total net profit / (loss)	1,599	(4,103)

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6. Property, plant and equipment

	31 December 2012	31 December 2011
Land	2,907	2,907
Buildings and structures	10,108	10,058
Plant and equipment	755	733
Vehicles	332	621
Other	1,728	1,242
Total	15,830	15,561
Construction in progress	32	13
Total property, plant and equipment	15,862	15,574

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Changes in property, plant and equipment assets by type

	Land	Buildings and structures	Plant and equipment	Vehicles	Other	Construction in progress	Total
<u>Initial value</u>							
-							
As at 1 January 2012	2,907	11,714	2,915	3,032	5,071	13	25,652
Increases	-	412	303	-	894	1,091	2,700
Decreases	-	-	(98)	(89)	(19)	(1,072)	(1,278)
As at 31 December 2012	2,907	12,126	3,120	2,943	5,946	32	27,074
-							
As at 1 January 2011	2,907	11,013	2,263	2,926	4,165	-	23,274
Increase	-	701	686	106	911	13	2,417
Decrease	-	-	(34)	-	(5)	-	(39)
As at 31 December 2011	2,907	11,714	2,915	3,032	5,071	13	25,652
<u>Depreciation</u>							
As at 1 January 2012	-	1,656	2,182	2,411	3,829	-	10,078
Increases	-	362	281	279	408	-	1,330
Decreases	-	-	(98)	(79)	(19)	-	(196)
As at 31 December 2012	-	2,018	2,365	2,611	4,218	-	11,212
As at 1 January 2011	-	1,200	1,608	1,973	3,324	-	8,105
Depreciation for the year	-	456	603	438	510	-	2,007
Decrease in accumulated depreciation	-	-	(29)	-	(5)	-	(34)
As at 31 December 2011	-	1,656	2,182	2,411	3,829	-	10,078
<u>Carrying amount</u>							
As at 31 December 2012	2,907	10,108	755	332	1,728	32	15,862
As at 31 December 2011	2,907	10,058	733	621	1,242	13	15,574

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As at 31 December 2012 and 31 December 2011, the Company held a server under a financial lease – for detailed information see note 19.

As at 31 December 2012, the Company used a warehouse in Nadarzyn and 6 cars under an operating lease agreement (note 20).

Apart from the tangible fixed assets serving as security in respect of investment loans and working capital facilities (note 16), there are no restrictions on the use of tangible fixed assets held by the Company.

For contractual commitments to purchase property, plant and equipment, see note 31.

In 2012, a legal defect was revealed in a contribution in kind which Toya Development Sp. z o.o. Spółka Komandytowo Akcyjna received on 6 April 2011 from TOYA S.A., which at the time acted as its general partner. The contribution was an organisationally separated and financially organised part of the TOYA S.A. enterprise – the Branch in Kryniczno, which draws up its separate financial statements under the relevant accounting regulations. In the financial statements prepared as at 31 December 2010 and until 6 April 2011, the branch was presented as a Disposal group held for distribution. One of the components of the Disposal group held for distribution was the ownership of a property constituting a plot of land with a carrying amount of PLN 4 thousand and expenditure on the fixing of devices worth PLN 2,270 thousand on the said plot.

The legal defect revealed in 2012 stemmed from the fact that as at 6 April 2011 the TOYA S.A. was not the owner of the said property, as by virtue of a decision of the Head of Wisznia Mała Municipality dated 7 May 2007, the plot of land in question became property of Trzebnicki Powiat. Therefore, there has been no effective transfer of ownership of the property described above or of the expenditure associated therewith.

In connection with the spin-off of the Disposal group, the plot along with the expenditure has been removed from the Company's books as at 6 April 2011, as detailed in the financial statements as at 31 December 2011. However, since there has been no effective transfer of ownership and TOYA S.A. formally is not the owner of the plot due to expropriation, TOYA S.A. is entitled to make claims against the Powiat for expropriation of the said property and the expenditure incurred in relation therewith. As a result of the disclosed legal defect of the contribution, the property along with the expenditure is recognised as at 31 December 2012 in the off-balance-sheet records of the Company, as it does not meet the definition of a Company's asset and, therefore, is not included in the table of changes in property plant and equipment presented on the previous page.

Thus, by way of compensation for the damage resulting from the property's legal defect, TOYA S.A. is obliged to pay to Toya Development Sp. z o.o. SKA a compensation equivalent to the amount of compensation obtained from the Trzebnicki Powiat. The right to compensation will arise in the amount of the compensation obtained by Toya S.A., providing that such compensation is obtained. Consequently, on 31 December 2012, the Company had a contingent receivable from the Trzebnicki Powiat and the matching, equivalent liability towards Toya Development Sp. z o.o. SKA – see also note 29.

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7. Intangible assets

	31 December 2012	31 December 2011
Concessions and patents, including: software	391	526
Other	-	-
Total	391	526
 Intangible assets under development	 500	 95
Total intangible assets	891	621

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

Intangible assets under development include works related to the construction and development of the functionality of an on-line store at www.toya24.pl and the expenditure incurred for the implementation of the supply module in the SAP system.

No security interests in the intangible assets have been created. For information on commitments to purchase intangible assets, see note 31.

Changes in intangible assets

	Software	Intangible assets under development	Total
<u>Initial value</u>			
As at 1 January 2012	1,063	95	1,158
Increases	-	405	405
Decreases	-	-	-
As at 31 December 2012	1,063	500	1,563
-			
As at 1 January 2011	766	-	766
Increase	297	95	392
Decrease	-	-	-
As at 31 December 2011	1,063	95	1,158
<u>Depreciation</u>			
As at 1 January 2012	537	-	537
Increases	135	-	135
Decreases	-	-	-
As at 31 December 2012	672	-	672
 As at 1 January 2011	 424	 -	 424
Depreciation for the year	113	-	113
Decrease in accumulated depreciation	0	-	-
As at 31 December 2011	537	-	537
<u>Carrying amount</u>			
As at 31 December 2012	391	500	891
As at 31 December 2011	526	95	621

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8. Interests in jointly-controlled entities and subsidiaries

As at 31 December 2012 and 31 December 2011, the Company held interests and shares in the following subsidiaries and jointly-controlled entities:

	Type of equity link	% of shares and votes held	Value of shares
31 December 2012			
Yato China Trading Co., Ltd.	Jointly-controlled entity	51.00	1,307
Toya Golf & Country Club Sp. z o.o.	Subsidiary	100.00	51
Toya Romania S.A.	Subsidiary	99.99	1 885
			3,243
31 December 2011			
Yato China Trading Co., Ltd	Jointly-controlled entity	51.00	1,307
Toya Golf & Country Club Sp. z o.o.	Subsidiary	100.00	51
Toya Romania S.A.	Subsidiary	99.99	1 885
			3,243

In 2012 and 2011, there were no changes in the interests and shares held.

After the end of the financial year, on 2 January 2013, the Company gained control over Yato China Trading Co., Ltd. Detailed information is provided in note 34.1.

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Key financial data of jointly-controlled entities is presented in the table below:

	Non-current assets	Current assets	Long-term liabilities	Short-term liabilities	Revenue	Expenses	Net profit / (loss)
2012							
Yato China Ltd	1,296	15,917	-	14,313	38,149	38,621	(472)
Toya Golf & Country Club Sp. z o.o.	-	-	-	-	-	-	-
Toya Romania S.A.	823	5,505	1	1,980	17,091	16,223	868
	<u>2,119</u>	<u>21,422</u>	<u>1</u>	<u>16,293</u>	<u>55,240</u>	<u>54,844</u>	<u>396</u>
2011							
Yato China Ltd	1,515	19,600	-	17,491	31,582	31,681	(99)
Toya Golf & Country Club Sp. z o.o.	-	46	-	-	-	1	(1)
Toya Romania S.A.	697	7,807	1	4,616	15,799	15,113	686
	<u>2,212</u>	<u>27,453</u>	<u>1</u>	<u>22,107</u>	<u>47,381</u>	<u>46,795</u>	<u>586</u>

For information on the guarantee issued by the Company for the benefit of Yato China Trading Co. Ltd see note 29.

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9. Trade receivables and other long-term receivables

	31 December 2012	31 December 2011
Trade receivables from related parties	1,869	-
Other receivables from related parties	2,250	-
Accruals and deferrals related to the perpetual usufruct right	233	236
Total trade receivables and other long-term receivables, gross	4,352	236
Discount of long-term receivables	(560)	-
Total trade receivables and other long-term receivables, net	3,792	236

Pursuant to an agreement signed on 29 November 2012 with a related entity, the repayment date for an account receivable of PLN 4,119 thousand (including PLN 1,869 thousand of trade receivables and PLN 2,250 thousand of remuneration for withdrawal from the position of a general partner in Toya Development Sp. z o.o. SKA), which were past due as at the above date, has been postponed to 31 December 2015. On account of the postponed repayment date, the receivables have been valued at amortised cost, using the interest rate of 4.99% estimated on the basis of the average cost of a loan obtained by the Company as at that date. The corresponding discount value of PLN 560 thousand has been recognised in finance costs.

The Company purchased the right of perpetual usufruct from other entities. Perpetual usufruct fees included in the financial result amounted to PLN 20 thousand both in 2011 and in 2012.

Total amounts of future minimum lease payments and perpetual usufruct right fees amount to:

	31 December 2012	31 December 2011
up to 1 year	20	20
1–3 years	40	40
3–5 years	40	40
over 5 years	1,480	1,500
Total	1,580	1,600

Liabilities due to the perpetual usufruct of land not included in the statement of financial position of the Company were estimated based on annual rates resulting from administrative decisions and the remaining time of using the land covered by the right.

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10. Inventory

	31 December 2012	31 December 2011
Goods	94,108	96,380
Revaluation write-down	(2,054)	(2,026)
Total inventory	92,054	94,354

The table below presents changes in impairment write-downs of inventory:

	2012	2011
As at 1 January	2,026	2,071
Increase	28	-
Reversal/utilisation	-	(45)
As at 31 December	2,054	2,026

Write-downs on inventory made in the financial year as well as utilisation and reversal of write-downs made in previous years were recorded in the financial result and presented as cost of sales.

For security created over inventory, see note 16.

11. Trade receivables and other receivables

Trade and other receivables comprise the following items:

	31 December 2012	31 December 2011
Trade receivables from related parties	1,701	6,055
Trade receivables from third parties	28,891	33,850
Total trade receivables	30,592	39,905
Taxes, customs duties and social security receivable	23	173
Other receivables from related parties	-	2,250
Other receivables from third parties	30	108
Accruals and deferred income	558	210
Total gross receivables	31,203	42,646
Impairment write-downs of doubtful receivables	(926)	(1,230)
<i>of which write-down for tax receivables</i>	-	(171)
Total net receivables	30,277	41,416

As at 31 December 2012, trade receivables in the amount of PLN 9,026 thousand (31 December 2011: PLN 7,802 thousand) were past due, of which trade receivables of PLN 8,572 thousand were past due but not impaired (31 December 2011: PLN 7,343 thousand).

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The table below presents the aging structure of receivables which are past due but not impaired:

	31 December 2012	31 December 2011
Overdue period		
from 1 to 180 days	8,491	6,144
from 181 to 360 days	78	1,180
more than 360 days	3	19
Total	8,572	7,343

The table below presents changes in impairment write-downs on trade receivables:

	2012	2011
As at 1 January	1,230	1,338
Increase	94	60
Reversal/utilisation	(398)	(168)
As at 31 December	926	1,230

Recognition and reversal of impairment write-downs of receivables was recorded in the financial result under "Selling costs".

As at 31 December 2012 receivables for which impairment write-downs were recorded individually amounted to PLN 445 thousand (31 December 2011: PLN 517 thousand). Impairment of those receivables is related to taking the receivables to court.

For security created over receivables, see note 16.

12. Cash and cash equivalents

	31 December 2012	31 December 2011
Cash in hand and at bank	3,053	590
Bank deposits	195	1,230
Total cash and cash equivalents	3,248	1,820

Short-term deposits are placed at banks for periods of up to several days; most frequently these are overnight deposits.

As at 31 December 2012 and 31 December 2011, the Company did not have any cash with limited disposability.

Apart from cash disclosed in the consolidated statement on financial position, the company has a separate bank account for the funds of the Company Social Benefits Fund (ZFŚS) which are presented under other receivables in their net amount together with liabilities towards the ZFŚS under loans granted, amounting to PLN 7 thousand as at 31 December 2012 and to PLN 0 as at 31 December 2011. As at 31 December 2012 these funds amounted to PLN 34 thousand (PLN 59 thousand as at 31 December 2011). The Company may use these funds only in the manner provided by law for the ZFŚS resources.

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Reconciliation of changes in individual items as shown in the statement of financial position and in the statement of cash flows:

12 months ended 31 December 2012	Adjustments			
	Balance sheet change	Discount of long- term receivables	Measurement of cash in foreign currencies	Change in statement of cash flows
Change in trade and other receivables	7,583	(560)	-	7,023
Change in inventories	2,300	-	-	2,300
Change in provisions	(4)	-	-	(4)
Change in trade and other payables	(4,566)	-	-	(4,566)
Change in employee benefit liabilities	102	-	-	102
Changes in cash	1,428	-	6	1,434

12 months ended 31 December 2011	Adjustments					
	Balance sheet change	Separation of assets for distribution and remuneration for withdrawal from general partner position	Change in receivables from transactions classified as discontinued operations	Measurement of cash in foreign currencies	Change in liabilities due to income tax on dividend	Change in statement of cash flows
Change in trade and other receivables	(4,082)	2,250	497	-	-	(1,335)
Change in inventories	(23,037)	-	-	-	-	(23,037)
Change in provisions	12	-	-	-	-	12
Change in trade and other payables	(2,080)	-	-	-	(935)	(3,015)
Change in employee benefit liabilities	(534)	-	-	-	-	(534)
Changes in cash	532	3,986	-	(12)	-	4,506

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13. Share capital

As at 31 December 2012, the share capital amounted to PLN 7,521,358.90 and comprised 75,213,589 shares with a par value of PLN 0.1 each. All of the shares are paid up.

As at 31 December 2011, the share capital of the Company amounted to PLN 7,484 thousand and comprised 74,836,800 shares with a par value of PLN 0.1 each.

The table below presents the ownership structure and percentage stakes held in the Company but not impaired:

Name	Status	Series of shares	Number of shares	Type of shares	Par value per share (PLN)	Par value of the shares (PLN)	Stake (%)
Jan Szmidt	natural person	A	28,170,647	ordinary, bearer	0.1	2,817,064.70	37.5%
Tomasz Koprowski	natural person	A	14,644,030	ordinary, bearer	0.1	1,464,403.00	19.5%
Romuald Szalagan	natural person	A	10,938,874	ordinary, bearer	0.1	1,093,887.40	14.5%
Piotr Wojciechowski	natural person	B	5,057,728	ordinary, bearer	0.1	505,772.80	6.7%
Generali OFE	legal person	C	4,800,000	ordinary, bearer	0.1	480,000.00	6.4%
Others – share below 5%	not applicable	C, D, E	11,602,310	ordinary, bearer	0.1	1,160,231.00	15.4%
TOTAL:			75,213,589			7,521,358.90	100%

In 2012, the share capital was increased by PLN 37,678.90, including:

- by PLN 18,784.20 according to the adopted payroll regulations for Members of the Supervisory Board,
- by PLN 18,894.70 as a result of realisation of the 1st tranche of the Incentive Scheme for the management staff and key employees.

On 27 March 2012, the Management Board of Toya S.A. adopted a resolution concerning an increase of the share capital by issuing E series shares within authorised capital and a resolution concerning the exclusion of subscription right for new E series shares by existing shareholders. The Management Board, acting pursuant to an authorisation granted under § 7 items 5–7 of the Company's Articles of Association, adopted a resolution concerning an increase of the share capital from PLN 7,484 thousand to PLN 7,502 thousand, by way of issue of 187,842 ordinary bearer series E shares with a par value of PLN 0.10 and an issue price of PLN 0.10 per share.

The share capital was increased in order to offer shares to Members of the Supervisory Board in private subscription. The individuals entitled to subscribe for series E shares were exclusively Members of the Supervisory Board (or entities indicated by them) listed in the Resolution No 10 of the Ordinary General Shareholders' Meeting dated 23 May 2011 concerning the remuneration of Members of the Supervisory Board.

On 18 May 2012, the increase of the share capital by PLN 18,784.20 was registered with the National Court Register.

On 16 July 2012, the Company's Supervisory Board adopted a resolution concerning granting of options to eligible individuals as part of the first tranche of the Incentive Scheme described in note 14.2. Following all the warrant holders acquiring the shares they were entitled to, 188,947 ordinary bearer series D shares with par value of PLN 0.10 each and a total value of PLN 18,894.70 were issued as part of execution of the first tranche. As a result, the amount of the Company's share capital was revised in § 7 section 1 of the Company's Articles of Association; upon registration of the capital increase by the National Court Register on 8 November 2012, it amounts to PLN 7,521,358.90.

14. Reserve capital

Reserve capital in the Company is created in connection with the remuneration based on shares under IFRS 2.

14.1 Share options for the Supervisory Board

By virtue of Resolution No 10, the Annual General Shareholders' Meeting of 23 May 2011 approved the rules of remuneration of the Supervisory Board members. In accordance with the approved scheme, three members of the Supervisory Board appointed by the Shareholders' Meeting on 14 February 2011 are entitled to remuneration in the form of shares in the Company for serving as members of the Supervisory Board during a three-year term (2011–2013). According to the Articles of Association of Toya S.A., the term of office of the Supervisory Board lasts three years from the date of appointment and expires no later than on the day of the General Meeting approving the financial statements for the last full financial year of the term of office.

Pursuant to the adopted scheme:

- a) Three members of the Supervisory Board (Piotr Mondalski, Dariusz Górka and Grzegorz Maciąg) will receive payments in the form of a right to acquire the Company's shares in an aggregate number equal to 0.75% of all of the Company's shares registered on the date when the offer to acquire the share is made, of which Piotr Mondalski will have the right to acquire 0.35% of such shares, whereas Dariusz Górka and Grzegorz Maciąg will each have the right to acquire 0.2% of the shares. The shares will be acquired in three tranches, with the first one already realised (see item 13). Subsequent tranches will be realised on the following dates: the second tranche between 1 December 2012 and 30 April 2013, and the third between 1 December 2013 and 30 April 2014. In the event that the offered shares are not acquired by the eligible individuals as stated above, they will be offered to them as part of the next tranches. The entitled members of the Supervisory Board may indicate another entity to acquire the shares.
- b) The other four members of the Supervisory Board (the existing shareholders) will not be entitled to any remuneration for serving as members of the Supervisory Board.
- c) The Management Board will offer the shares to the Supervisory Board members at their par value (i.e. PLN 0.1).
- d) Each of the Supervisory Board members may decide to collect their remuneration in cash, up to the maximum amount of PLN 7 thousand a month. If a Supervisory Board member decides to collect a portion of his remuneration in cash, the number of shares offered to them by the Management Board will be reduced accordingly.

The total cost of the scheme was determined on the basis of the fair value of granted options and amounted to PLN 1,916 thousand as at the grant date. As at 31 December, following a revision of the number of shares which the eligible members of the Supervisory Board are entitled to acquire, the aggregate estimate value of the scheme is PLN 1,924 thousand. In 2012, the amount of PLN 613 thousand was recognised in costs, while in 2011 it was PLN 1,040 thousand.

The total cost is recognised over the vesting period, i.e. from 14 February 2011 (date of appointment of participating members of the Supervisory Board by the General Shareholders' Meeting, in accordance with IFRS 2 section IG4) until 13 February 2014.

As each participating member of the Supervisory Board has an option to settle the transaction in cash or in shares of the Company, the remuneration scheme is a compound financial instrument consisting of both equity and debt component.

The scheme has been valued by external actuary using the Monte-Carlo simulation techniques and analytical models. This method is an extension of the Black-Scholes-Merton model.

The basic assumptions used for the purposes of the valuation were as follows:

- the share price at the grant date – PLN 3.8 per share,
- dividend for 2011 and 2012 at the same level as in 2010, i.e. PLN 0.14 per share.
- risk-free interest rate was determined based on yield on zero-coupon government bonds with a remaining term close to the expected term of settlement of each tranche of the scheme (4.52%, 4.67% and 5.14% respectively),
- volatility of shares has been set to an average level of 40%.

Under the adopted rules of remuneration of the Supervisory Board, in the first half of 2012, the Supervisory Board members or entities indicated by them obtained 187,842 ordinary bearer series E shares with a par value of PLN 0.10 and an issue price of PLN 0.10 per share for the first year of service. On 18 May 2012, the increase of the share capital by PLN 18,784.20 was registered with the National Court Register. As a result of exercising the options, the amount of PLN 665 thousand corresponding to the valuation of the exercised options according to their fair value was reclassified from reserve capital to share premium from the shares issued.

Information about resolutions adopted after the balance sheet date connected with the offering of the 2nd tranche of shares to the eligible Supervisory Board members is provided in note 37.2.

14.2 Arrangements concerning employee participation in the Company's share capital

A management incentive scheme has been introduced in the Company to create incentive mechanisms which ensure long-term growth of the Company's value and a steady increase of net profit, as well as stabilisation of the management staff. Based on Resolution No 2 of the Extraordinary General Shareholders' Meeting of 8 February 2011, approving the rules of the incentive scheme for the Company's management staff and key employees, the Company launched an incentive scheme which will be implemented over four consecutive financial years: 2011–2014. On 23 May 2011, by virtue of its Resolution No. 11, the Annual General Shareholders' Meeting introduced a number of amendments to the aforementioned resolution. The incentive scheme is addressed to members of the Management Board and key employees of the Company, indicated annually by the Supervisory Board. Under the scheme, its participants will be entitled to acquire in aggregate up to 2,243,430 Series A registered subscription warrants carrying the right to acquire Series D ordinary bearer shares in the Company with a par value of PLN 0.10 per share and an aggregate par value of PLN 224 thousand.

On 8 November 2011, the Supervisory Board approved the detailed terms of the Incentive Scheme together with its Rules, the list of Eligible Individuals and the number of Options available to each person. The total number of shares issued as part of the incentive scheme will not exceed 2,243,430. The eligible individual will have the right to acquire no more than: 18% of shares for 2011, 25% of shares for 2012, 27% of shares for 2013 and 30% of shares for 2014.

At the end of a given year of the scheme its participants will be granted the right to acquire the shares, provided that the Company achieves specific parameters and objectives. The objectives and parameters which the Company is required to attain were set forth by the Supervisory Board in its resolution of 24 May 2011 and in the Rules for the Incentive Scheme. These conditions include:

- growth of the Group's consolidated net profit for the financial years 2011–2014 by at least 22% per annum. Upon fulfilment of this condition, eligible individuals will be granted the right to acquire 100% of shares under the incentive scheme for 2011 and 75% of the shares under the incentive scheme for the years 2012–2014.

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- the average price of shares of Toya S.A. from the last 40 exchange sessions in the year remaining in such a relation to WIG as at year-end in each two subsequent years of the Scheme that the percentage increase or decrease of the Company's average share price in relation to the percentage increase or decrease in WIG will be accordingly higher or lower by at least one percentage point in favour of the Company's share price. Upon fulfilment of this condition, eligible individuals will be granted the right to acquire 25% of shares under the incentive scheme for the years 2012–2014.
- failure to fulfil any of the above conditions in a given year does not rule out the possibility to acquire shares if the conditions are met at the end of the term of the scheme.

To enable implementation of the scheme, Series A subscription warrants intended for the scheme participants will be issued in an aggregate number of up to 2,243,430, carrying the right to acquire up to 2,243,430 Series D shares. The subscription warrants will be issued free of charge, on such terms and conditions as specified by the Supervisory Board in the Rules for the Incentive Scheme. A single series A subscription warrant will carry the right to acquire one Series D share. The issue price of Series D shares acquired in exercise of the rights attached to Series A subscription warrants will be equal to PLN 0.10. Series D subscription warrants will not be issued in a public offering as referred to in Article 3.3 of the Act on Public Offering. The warrants will be non-transferable, except that they may be transferred to the Company. Moreover, the warrants may be inherited.

According to the Supervisory Board Resolution dated 8 November 2011, later amended by Resolution of 29 May 2012, as at 31 December 2012 there are 22 participants of the scheme who may be granted a total of 1,299,287 share options in total.

The scheme has been valued by external actuary using the Monte-Carlo simulation techniques and analytical models. This method is an extension of the Black-Scholes-Merton model. The basic assumptions used for the purposes of the valuation were as follows:

	1st pool of eligible individuals	2nd pool of eligible individuals
Date of granting	1 December 2011	1 June 2012
Share price at the grant date (PLN)	2.85	2.1
Option exercise price (PLN)	0.1	0.1
Basis for determining the risk-free interest rate (*)	Yield on government bonds with closing dates in April 2016 and October 2015 (5.04% and 4.89% respectively)	Yield on government bonds with closing dates in April 2016 and October 2015 (4.95% and 4.54% respectively)
Share price volatility	40%	45%

(*) the risk-free interest rate was determined based on yield on fixed interest rate government bonds.

The total cost of the scheme was determined on the basis of the fair value of granted options and was estimated at PLN 2,617 thousand for both pools as at the grant date. As at 31 December, following a revision of the number of shares which the eligible individuals are entitled to acquire, the aggregate estimate value of the scheme is PLN 2,531 thousand. In 2102, the amount of PLN 1,236 was recognised in costs, while in 2011 it was PLN 131 thousand.

The total cost is recognised over the vesting period, i.e. from 1 December 2011 for the first pool of eligible individuals and from 1 June 2012 for the second pool of eligible individuals (dates of signing agreements with eligible individuals) until 30 June 2015.

On 16 July 2012, the Company's Supervisory Board adopted a resolution concerning granting of options to the Eligible Individuals as a part of the first tranche of the Incentive Scheme. As part of realisation of that tranche, a total 188,947 ordinary bearer series D shares with a par value of PLN 0.10 and a total value of PLN 18,894.70 were issued. Detailed information is provided in note 13.

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15. Retained earnings and dividend per share

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 case of the Company – PLN 2,507 thousand as at 31 December 2011 (and PLN 2,495 thousand as at 31 December 2011). These statutory reserve funds are exempt from distribution among shareholders and may only be used to cover losses. As at 31 December 2012 and as at 31 December 2011, 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 64,582 thousand as at 31 December 2012, represents accumulated profit brought forward, and may be used for payment of dividend.

Dividend per share:

	12 months ended 31 December	
	2012	2011
Dividend paid	-	9,282
Weighted average number of ordinary shares ('000)	75,038	65,574
Dividend per share (PLN)	0.00	0.14

On 26 June 2012, the General Shareholders' Meeting of Toya S.A. approved the financial statements of Toya S.A. for 2011 and resolved to allocate the profit earned in 2011 to the statutory reserve funds.

16. Loan liabilities

	31 December	31 December
	2012	2011
Bank loan liabilities, of which	27,738	46,692
- long-term	-	-
- short-term	27,738	46,692

The table below shows movements in bank loans:

	Loans taken	Borrowings taken	Total
As at 1 January 2011	55,057	5,295	60,352
Borrowing/loan taken	29,547	5,000	34,547
Interest for the period	3,716	258	3,974
Interest repaid	(3,550)	(403)	(3,953)
Repayment of principal	(38,078)	(10,150)	(48,228)
As at 31 December 2011	46,692	-	46,692
Borrowing/loan taken	12,098	-	12,098
Interest for the period	2,823	-	2,823
Interest repaid	(2,766)	-	(2,766)
Repayment of principal	(31,109)	-	(31,109)
As at 31 December 2012	27,738	-	27,738

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Description of loan agreements:

Object and value of agreement	Bank / person acquiring the bonds / granting the borrowing	Loan amount as per agreement as at 31 December 2012	Amount outstanding as at 31 December 2012	Amount outstanding as at 31 December 2011	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)	Raiffeisen Bank Polska S.A. with its registered office in Warsaw	30,000	2,897	25,899	WIBOR 1M + bank's margin EURIBOR/LIBOR 1M + bank's margin	5 March 2013	Change of the maturity date to 5 March 2014 and reduction of loan amount to PLN 20,000 thousand
2. Overdraft facility agreement No BDK/KR-RB/000054601/0641/10 of 22 December 2010	Bank Citi Handlowy with its registered office in Warsaw	15,000	12,678	13,094	WIBOR 1M + bank's margin	20 December 2013	Limit increased to PLN 25,000 thousand from 1 March 2013
3. Multi-purpose credit line agreement No WAR/4060/12/102/CB of 26 September 2012	BNP Paribas Bank Polska S.A. with its registered office in Warsaw	35,000	12,163	-	WIBOR 1M + bank's margin	24 September 2013	
4. Overdraft facility agreement No K0007156 of 30 November 2011	Bank Zachodni WBK S.A. with its registered office in Wrocław	-	-	7,699	WIBOR 1M + bank's margin	30 September 2012	
Total liabilities, of which:		80,000	27,738	46,692			
- short-term portion		80,000	27,738	46,692			
- long-term portion		-	-	-			

Notes constitute an integral part of these financial statements

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Bank margins relating to the loans listed above range from 0.5% to 1%.

The table below presents security for repayment of the loans:

Type of security	31 December	
	2012	2011
Mortgage	81,849	85,744
Transfer of title to inventory	57,794	45,831
Assignments of claims	23,235	29,965
Total restricted assets	162,878	161,540

The value of mortgage securities was determined as a sum of securities 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 state appraiser for the bank's needs). The book value of mortgaged assets was PLN 13,015 thousand as at 31 December 2012 (PLN 12,923 thousand as at 31 December 2011). The values of other types of security were determined at the carrying amounts of the assets provided as security as at 31 December 2012 and 31 December 2011.

The securities apply throughout the term of loan agreements. The Company has a restricted ability to dispose of the mortgaged assets – the sale of such assets requires a consent of the bank. In the event of securities established over inventory, the Company may freely dispose of the assets, providing that they will be replaced by a security of the same type and in the same quantity, with minimum values defined in individual agreements with banks amounting to PLN 45 million. In the event of assignments of trade receivables, the Company is obliged to refrain from any legal or actual actions resulting in limiting the Company's ability to dispose of these receivables. In addition, the Company has undertaken not to provide loans or guarantees to third parties without the prior consent of the bank throughout the term of the loan.

Effective interest rate for loans

The effective interest rates are close to the nominal interest rates calculated in line with the terms of the agreements described above.

Defaults under loan agreements

As at 31 December 2012, the Company did not default on its debt repayment obligations or on any other of its obligations under loan agreements in a manner which would result in an acceleration of debt repayment.

Both the investment loan agreements and the working capital credit facility agreements require the borrower to maintain its financial debt ratios and debt servicing ratios at an agreed level throughout the lending period. If these requirements are not met, the bank has the right to terminate the agreement.

The Company has good relationships with banks and has had no problems renewing its loans thus far. On this basis the Board believes that the risk resulting from short term debt is not significant.

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17. Trade and other payables

	31 December 2012	31 December 2011
Trade payables to related parties	278	-
Trade payables to third parties	17,094	22,922
Total trade payables	17,372	22,922
Tax liabilities	187	119
Accruals and deferred income	989	72
Total other current payables	1,176	192
Total	18,548	23,114

18. Liabilities from employee benefits

	31 December 2012	31 December 2011
Provisions for retirement benefits and disability pensions, and for death benefits	139	107
Liabilities from employee benefits – non-current portion	139	107
Provisions for retirement benefits and disability pensions, and for death benefits	5	5
Unused holidays	380	310
Liabilities from employee benefits – current portion	385	315

The amount of provision for retirement benefits and death benefits as at 31 December 2012 and 2011 was estimated by an actuary. The basic assumptions were as follows:

Calculation as at 31 December 2012:

- discount rate (risk-free rate) – 3.7% in 2012 and 5.5% in 2011
- growth rate of remunerations – 1.5%

Calculation as at 31 December 2011:

- discount rate (risk-free rate) – 5.5% in 2011
- growth rate of remunerations – 0% in 2012 and 2013, 3.5% in 2014 and after

The statement of actuarial gains and losses is presented below.

	2012	2011
current value of liability as at 1 January	112	113
current service cost	15	25
net interest on net liability	6	6
actuarial gains or losses	19	(17)
past service cost	(8)	-
benefits paid	-	(15)
current value of liability as at 31 December	144	112

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Total expense recognised in profit or loss in respect of future employee benefits in accordance with the above statement amounted to PLN 32 thousand in 2012 and PLN 14 thousand in 2011 and were recognised in administrative expenses.

19. Finance lease – the Company as a lessee

	31 December 2012	31 December 2011
Minimum lease payments		
payable up to 1 year	173	173
payable between 2 and 5 years	0	173
Total	173	346
Future interest expenses	19	38
Finance lease liabilities	154	308
of which:		
payable up to 1 year	154	154
payable between 2 and 5 years	-	154

The Company leases a server under finance lease of the carrying value amounting to PLN 167 thousand as at 31 December 2012, under an agreement dated 30 December 2010. The net amount of the lease liability as at the date of the agreement was PLN 462 thousand. The agreement was executed for a period of 36 months, with the last lease payment due on 31 January 2014. Monthly lease payments amount to PLN 14 thousand. The buyout payment is 1% of the financing amount, i.e. PLN 5 thousand. The terms and conditions of the Agreement do not differ from terms and conditions commonly applied in this type of agreements. The server system was delivered in January 2011.

20. Operating lease – the Company as a lessee

The Company uses a warehouse in Nadarzyn and a car park in Wrocław, and since 2012 also passenger cars, under non-cancellable operating lease agreements. Moreover, the Company uses land in Wrocław, under the perpetual usufruct of land (for detailed information – see note 9).

The costs incurred in connection with the operating leases are presented in the table below:

	12 months ended 31 December	
	2012	2011
Costs incurred under warehouse lease agreements	1,137	2,119
Costs incurred under car park lease agreements	16	16
Costs incurred under car lease agreements	2	-
Total	1,155	2,135

The warehouse leasing costs presented in the table above include the rent and service charges.

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Total amounts of future minimum lease payments under lease agreements for the Nadarzyn warehouse amount to:

	31 December 2012	31 December 2011
up to 1 year (*)	1,700	585
1–3 years	3,400	3,673
3–5 years	1,841	3,673
over 5 years	-	153
Total	6,941	8,084

(*) The warehouse is leased from ProLogis Poland XXXIX Sp. z o.o. under a ten-year lease agreement of 17 July 2006. On 29 March 2011, the Company signed an annex amending the amount of rent. The annex gives the Company the right to a reduced rent for 9 months starting from 29 January 2012. The future minimum lease payments up to 1 year as at 31 December 2011 have been adjusted to include the changes introduced by the annex.

In October 2012, the Company entered into a general passenger car lease agreement. As at 31 December 2012, 6 cars had been provided for use under the agreement. The agreements were concluded for a period of 48 months.

The aggregate future minimum lease payments under the car leases are as follows:

	31 December 2012	31 December 2011
up to 1 year	55	-
1–3 years	110	-
3–5 years	53	-
Total	218	-

21. Provisions

	Provisions for guarantee repairs and returns	TOTAL
As at 1 January 2012	229	229
Provision created	225	225
Provision used	(229)	(229)
As at 31 December 2012	225	225
Short-term as at 31 December 2012	225	225
As at 1 January 2011	217	217
Provision created	229	229
Provision used	(217)	(217)
As at 31 December 2011	229	229
Short-term as at 31 December 2011	229	229

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22. Revenue from sales

	12 months ended 31 December	
	2012	2011
Revenue from sales		
Sales of services	-	-
Sales of goods	194,043	202,352
Total sales revenues	194,043	202,352

23. Costs by type and cost of goods sold

	12 months ended 31 December	
	2012	2011
Amortisation and depreciation	1,465	2,120
Materials and energy consumption	2,423	2,376
Third-party services	10,056	11,029
Taxes and fees	855	771
Cost of employee benefits	15,113	13,763
Other costs by type	3,835	3,320
Value of goods and materials sold	133,647	136,267
Total costs by type and value of goods and materials sold	167,394	169,646
Selling costs	23,179	23,156
Administrative expenses	10,568	10,223
Cost of products and goods sold	133,647	136,267

24. Cost of employee benefits

	12 months ended 31 December	
	2012	2011
Payroll	11,096	10,694
Cost of share options	1,849	1,175
Cost of social insurance	2,017	1,691
Cost of retirement benefits	-	15
Cost of other employee benefits	151	188
Total cost of employee benefits	15,113	13,763

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25. Other operating income and expenses

	12 months ended 31 December	
	2012	2011
Gains on sale of property, plant and equipment	1	-
Net currency exchange gains related to operating activities	-	1,472
Revenues from other sales	268	22
Compensations received under automobile insurance agreements or from business partners	18	105
Notes – settlements with suppliers	109	0
Other operating income	59	104
Total other operating income	455	1,703

	12 months ended 31 December	
	2012	2011
Loss on sale of property, plant and equipment	-	5
Surplus of FX losses over FX gains on operating activities	1,759	-
Cost of other sales	309	-
Penalties and fines paid	24	100
Court and debt recovery fees	13	122
Interest paid to the state budget and to counterparties	2	7
Write-off of overpayments / advances to suppliers	-	120
Credit notes – settlements with suppliers	-	53
Write-off of receivables	77	67
Other	35	95
Total other operating expense	2,219	569

26. Financial income and costs

	12 months ended 31 December	
	2012	2011
Interest on cash in bank accounts	-	65
Total financial income	-	65

	12 months ended 31 December	
	2012	2011
Interest and commissions on loans and borrowings	2,812	3,975
Other interest	560	-
Interest on finance lease liabilities	19	19
Total financial costs	3,391	3,994

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27. Income tax**Tax expense**

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

- from 1 January 2012 to 31 December 2012,
- from 1 January 2011 to 31 December 2011.

	12 months ended 31 December	
	2012	2011
Current income tax	5,158	6,192
Deferred income tax	(629)	(293)
Total income tax	4,529	5,899

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

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

	12 months ended 31 December	
	2012	2011
Profit before tax	21,494	29,911
Tax rate applicable in the period	19%	19%
Tax calculated at the applicable tax rate	4,084	5,683
Tax effect of the following items:		
- permanent tax differences – revenue	-	(56)
- permanent tax differences – costs	506	280
- temporary tax differences for which no asset was created	(71)	(21)
- technology credit	-	(13)
- effect of the tax loss of Toya Development SKA on tax	-	(2)
Other	10	28
Income tax recognised in profit or loss	4,529	5,899

Regulations on value added tax, corporate and personal income tax or social security contributions change frequently, and as a consequence it is often not possible to rely on established regulations or legal precedents. The regulations in effect tend to be unclear, thus leading to differences in opinions as to the legal interpretation of fiscal regulations, both between state authorities themselves and between state authorities and entrepreneurs. Tax and other settlements (customs duty or foreign exchange settlements) may be inspected by authorities empowered to impose high penalties, and any additional amounts assessed following an inspection must be paid together with high interest. Consequently, the tax risk in Poland is higher than in other countries where tax systems are more developed. In Poland, there are no formal procedures for the determination of the final amount of tax due. Tax settlements may be inspected for the 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.

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Deferred income tax

	As at 31 December 2012			As at 1 January 2012	Recognised in profit or loss/equity
	Assets	Liabilities	Net	Net	
Non-current assets					
Property, plant and equipment	-	10	(10)	(32)	22
Trade receivables and other receivables	106	44	62	-	62
Current assets					
Inventory	504	-	504	385	119
Trade receivables and other receivables	193	-	193	51	142
Other financial assets	-	-	-	-	-
Cash and cash equivalents	1	-	1	(3)	4
Long-term liabilities					
Trade and other payables	261	-	261	39	222
Liabilities from employee benefits	99	-	99	80	19
Liabilities from loans, borrowings and other debt instruments	23	-	23	12	11
Liabilities from finance leases	29	-	29	-	29
Provisions	43	-	43	44	(1)
Total assets and liabilities	1,259	54	1,205	576	629
Tax losses	-	-	-	-	-
Total deferred income tax, of which	1,259	54	1,205	576	629
- income tax recognised in profit or loss					629
- recognised in equity					-

Of the above-reported value of deferred tax asset, the amount of PLN 828 thousand concerns items that the Company expects to realise over a period exceeding 12 months.

	As at 31 December 2011			As at 1 January 2011	Recognised in profit or loss/equity
	Assets	Liabilities	Net	Net	
Non-current assets					
Property, plant and equipment	13	45	(32)	9	(41)
Current assets					
Inventory	385	-	385	391	(6)
Trade receivables and other receivables	51	-	51	45	6
Cash and cash equivalents	-	3	(3)	3	(6)
Long-term liabilities					
Trade and other payables	39	-	39	(8)	47
Liabilities from employee benefits	80	-	80	185	(105)
Liabilities from loans and borrowings	12	-	12	45	(33)
Provisions	44	-	44	41	3
Total assets and liabilities	624	48	576	711	(135)
Tax losses	-	-	-	-	-
Total deferred income tax, of which	624	48	576	711	(135)
- income tax recognised in profit or loss					293
- recognised in equity (*)					(428)

(*) Deferred income tax recognised in equity refers to remuneration for Toya S.A.'s withdrawal from the general partner position in Toya Development Sp. z o.o. Spółka komandytowo-akcyjna.

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28. Earnings per share

	12 months ended 31 December	
	2012	2011
Net profit from continuing operations	16,965	24,012
Weighted average number of ordinary shares after the split ('000)	75,038	69,431
Basic earnings per share from continuing operations (PLN)	0.23	0.35
Diluted net profit from continuing operations	16,965	24,012
Weighted average number of ordinary shares issued that were used to calculate basic earnings per share ('000)	75,038	69,431
<u>Effect of dilution:</u>		
<i>Share options</i>	287	56
Adjusted weighted average number of ordinary shares used for calculating diluted earnings per share ('000)	75,325	69,487
Diluted earnings per share from continuing operations (PLN)	0.23	0.35

	12 months ended 31 December	
	2012	2011
Net loss on discontinued operations	-	497
Weighted average number of ordinary shares after the split ('000)	75,038	69,431
Basic loss per share from discontinued operations (PLN)	-	0.01
Diluted net loss	-	497
Weighted average number of ordinary shares issued that were used to calculate basic earnings per share ('000)	75,038	69,431
<u>Effect of dilution:</u>		
<i>Share options</i>	287	56
Adjusted weighted average number of ordinary shares used for calculating diluted earnings per share ('000)	75,325	69,487
Diluted loss per share from discontinued operations (PLN)	-	0.01

Basic earnings per share were calculated by dividing the net profit attributable to shareholders of the Company by the weighted average number of ordinary shares during the period. Due to public series C share issue in 2011, new shares were included in the calculation of the weighted average number of shares when the cash from the issue was receivable. This date was set to the date when new shares were granted, i.e. 2 August 2011. In 2012, new share issues were taken into account in the calculation from 27 March (series E shares) and 10 September (series D shares) – the date of signing of share acquisition agreements.

The Company has one potential dilutive instrument: share options granted to Supervisory Board members, Management Board members and key employees, described in Note 14. In 2012, share options did not have a material impact on the diluted earnings per share. The adjusted weighted average number of ordinary shares used for calculating diluted earnings per share was calculated in the following way:

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29. Financial guarantees granted and contingent liabilities

Item	Counterparty	Type of guarantee	Subject matter and value	Date of expiry
1	Bank Handlowy	Guarantee of repayment of loan liabilities by Yato China Trading (*)	Bank guarantee of USD 1,500 thousand	31 December 2013

(*) To secure repayment of the loan, Toya S.A. established a mortgage of USD 1,500 thousand on a real property located at ul. Sołtysowicka 13-15 in Wrocław (Land and Mortgage Register No WR1K/00096765/9).

On 29 November 2012, the Company and TOYA Development Sp. z o.o. Spółka Komandytowo-Akcyjna concluded an agreement concerning a legal defect of the real property which was contributed in kind on 6 April 2011 pursuant to Resolution No 1 of Extraordinary General Meeting of TOYA Development SKA 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 estate had a legal defect, i.e. on 6 April 2011, TOYA S.A. was not its owner since pursuant to the decision of the Head of Wisznia Mała Municipality of 7 May 2007, this plot of land became the property of Trzebnicki Powiat on 8 June 2007. TOYA S.A. is entitled to pursue claims against Trzebnicki Powiat due to expropriation of the above-mentioned 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 Sp. z o.o. SKA. 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 SKA compensation equal to the compensation obtained from the Trzebnicki Powiat. The right to compensation will arise provided that Toya S.A. receives compensation from the Trzebnicki Powiat and in the amount obtained from the Trzebnicki Powiat. On 31 December 2012, TOYA S.A. received compensation due to expropriation of land in the amount of PLN 333 thousand, which was handed over to TOYA Development SKA after the end date of the reporting period, pursuant to the agreement. As a result, as at 31 December 2012, the contingent liability includes compensation due to the incurred expenditure, whose value is estimated at PLN 2 million. At the same time, as at 31 December 2012, the Company has a contingent asset due to compensation for the incurred expenditure from the Trzebnicki Powiat in the same amount, i.e. approx. PLN 2 million.

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30. Transactions with related entities

In 2012 and 2011, the Company effected transactions with the following related entities:

- Toya Romania SA – subsidiary
- Yato China Trading Co., Ltd – jointly-controlled entity,
- Armada Development S.A. – jointly-controlled entity until 6 April 2011,
- Toya Development Sp. z o.o. S.K.A. – entity jointly controlled by the shareholders jointly controlling TOYA S.A.,
- Toya Development Sp. z o.o. – entity jointly controlled by the shareholders jointly controlling TOYA S.A.,
- Golf Telecom Sp. z o.o. SKA – entity jointly controlled by the shareholders jointly controlling TOYA S.A.,
- Jan Szmidski – jointly-controlling shareholder,
- Beata Szmidski – jointly-controlling shareholder (since 9 August 2011),
- Tomasz Koprowski – jointly-controlling shareholder,
- Romuald Szalagan – jointly-controlling shareholder,
- Piotr Wojciechowski – jointly-controlling shareholder (since 6 April 2011)
- Grzegorz Pinkosz – President of the Management Board of the Company – member of key management personnel,
- Dariusz Hajek – member of the Management Board of the Company – member of key management personnel,
- Tomasz Suchowierski – member of the Management Board of the Company's Parent Company (until 30 November 2011) – member of key management personnel.
- Piotr Mondalski – President of the Supervisory Board
- Dariusz Górka – Member of the Supervisory Board
- Grzegorz Maciąg – Member of the Supervisory Board

For information on the guarantee issued by the Company for the benefit of Yato China Trading Co. Ltd see Note 29.

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Breakdown of transactions and balances with related entities

	Trade and other receivables	Trade and other payables	Revenues from sales of goods for resale and materials	Purchase of goods and services	Remuneration for work	Financial costs – interest	Dividend paid	Other transactions (*)
	31.12.2012		1.01.2012–31.12.2012					
Subsidiaries	1,615	-	9,585	-	-	-	-	-
Jointly-controlled entities	84	278	111	11,614	-	-	-	-
Shareholders	-	-	-	-	-	-	-	-
Entities jointly controlled by controlling shareholders	4,121	-	215	163	-	-	-	-
Key management personnel	-	-	-	-	398	-	-	899
Total	5,820	278	9,911	11,777	398	-	-	899
	31.12.2011		1.01.2011–31.12.2011					
Subsidiaries	4,272	-	7,797	-	-	-	-	-
Jointly-controlled entities	-	-	138	10,102	-	-	-	-
Shareholders	-	-	-	-	1	403	9,282	-
Entities jointly controlled by controlling shareholders	4,033	-	385	1,096	-	-	-	2,750
Key management personnel	-	-	-	-	916	-	-	-
Total	8,305	-	8,320	11,198	917	403	9,282	2,750

* Other transactions recognised in 2012 include the value of options granted to and exercised by the members of the Supervisory Board in accordance with the payroll regulations of the Supervisory Board described in Note 14.1 to the financial statements, totalling PLN 665 thousand (including one eligible member of the Supervisory Board exercising their right to designate another entity to acquire the shares), and the value of options granted to and exercised by the members of the Management Board participating in the Incentive Scheme described in Note 14.2 to the financial statements, totalling PLN 234 thousand.

** Other transactions recognised in 2011 included PLN 500 thousand of income from provision of an organised part of business – the Kryniczno Branch – for use to Toya Development Sp. z o.o. S.K.A and compensation for withdrawal from the general partner position in the amount of PLN 250 thousand.

Transactions with related entities are entered into on arm's length terms in the course of the Company's day-to-day operations.

Notes constitute an integral part of these financial statements

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In the years ended 31 December 2012 and 31 December 2011, no receivables from related parties were written down. In connection with the signing of an agreement to defer the payment of amounts due from an entity jointly-controlled by the shareholders controlling the Company (for details see Note 9), the net profit for 2012 included PLN 560 thousand of costs relating to the valuation of these receivables pursuant to the amortised cost. In 2011, no write-downs of receivables from related entities were recognised.

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

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

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

	2012	2011
Remunerations and benefits under employment contracts	398	1,270
Costs due to share options granted – Supervisory Board (*)	613	1,040
Costs due to share options granted – Management Board (*)	523	64

(*) Costs recognised in profit or loss in 2011 and 2012, respectively, resulting from the valuation of options according to the assumptions described in notes 14.1 and 14.2.

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

31. Future contractual commitments

As at 31 December 2012, the Company is not a party to any agreement under which it would be obliged to purchase fixed assets.

As at 31 December 2012, the Company is a party to 3 agreements for works concerning an on-line store platform and implementation of a supply module in SAP, which will constitute intangible assets. The total value of liabilities not included in the statement of financial position and resulting from the agreements signed before the balance sheet date will amount to approximately PLN 436 thousand.

32. Operating segments**Identification of operating and reporting segments**

The Management Board of the Company makes decisions related to operations from the perspective of types of activity, distribution channels or geographical coverage. Types of operations are divided into trading activities as well as property development, operation and maintenance of a golf field – the latter classified as discontinued operations. Trading activities are further subdivided based on distribution channels and geographical criteria.

The Company specifies 6 operating and reporting segments for its activities:

- trading area – domestic sales to retail networks,
- trading area – domestic sales – wholesale,
- trading area – exports
- trading area – other sales
- property development segment (discontinued operations),
- golfing business segment (discontinued operations).

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As part of the retail networks segment, the Company cooperates with the largest retail networks throughout Poland and Romania. Wholesale on the domestic market is conducted through a network of wholesalers, authorised retail stores and sales representatives. Foreign markets are supported using sales department of the Company. The other sales comprise sales to entities operating in the advertising segment. This area of sales is a new segment developed by the Group since 2012. As at 31 December 2012, activities in this area do not meet the requirements of a separate report and are, therefore, presented as other trading activities.

As at 31 December 2011, the property development and golfing business activities were classified as discontinued operations due to the transfer of these activities to the limited joint stock partnership Toya Development Sp. z o.o. S.K.A. (for further details see note 20). These activities still qualify as operating segments, as up until the day of the spin-off they had continued their operations, their results had been reviewed by the Management Board of the Company on a regular basis and separate financial information had been available. In 2012, these activities are not recognised.

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

The company recorded revenues from one external customer exceeding 10% of total revenues, which amounted to PLN 19,474 thousand and related to a client from the retail network segment.

As at 31 December 2012, the Company's assets amounted to PLN 150,572 thousand (as at 31 December 2011: PLN 157,840 thousand), while its liabilities amounted to PLN 48,166 thousand (as at 31 December 2011: PLN 74,285 thousand) and pertained entirely to trading activities.

The Company had no fixed assets located abroad.

The Management Board of the Company does not examine the assets and liabilities of the Company for each segment separately.

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12 months ended 31 December 2012	Continuing operations				Total continuing operations	Discontinued operations		Total discontinued operations	Total
	<i>Trading – EXPORTS</i>	<i>Trading – WHOLESALE MARKET</i>	<i>Trading – RETAIL NETWORKS</i>	<i>Trading – OTHER</i>		<i>GOLFING BUSINESS</i>	<i>PROPERTY DEVELOPMENT</i>		
Revenue									
Sales to external customers	75,292	76,763	41,684	304	194,043			-	194,043
Total segment revenue	75,292	76,763	41,684	304	194,043	-	-	-	194,043
Cost of products sold									
Sales to external customers	(54,980)	(47,775)	(30,699)	(193)	(133,647)			-	(133,647)
Cost of products sold – total	(54,980)	(47,775)	(30,699)	(193)	(133,647)				(133,647)
Gross margin	20,312	28,988	10,985	111	60,396	-	-	-	60,396
Gross margin	27%	38%	26%	37%	31%				31%
Gross profit – all operating segments									60,396
Adjustment for gross profit / (loss) on discontinued operations								-	-
Gross profit									60,396
Selling costs									(23,179)
Administrative expenses									(10,568)
Other operating income									455
Other operating expenses									(2,219)
Operating profit									24,885
Financial income									-
Financial expenses									(3,391)
Profit before tax									21,494
Income tax									(4,529)
Net profit from continuing operations									16,965
Net profit on discontinued operations									-
Net profit									16,965

Notes constitute an integral part of these financial statements

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(All amounts in PLN '000, unless indicated otherwise)

12 months ended 31 December 2011	Continuing operations				Discontinued operations			Total
	<i>Trading – EXPORTS</i>	<i>Trading – WHOLESALE MARKET</i>	<i>Trading – RETAIL NETWORKS</i>	Total continuing operations	<i>GOLFING BUSINESS</i>	<i>PROPERTY DEVELOPMENT</i>	Total discontinued operations	
Revenue								
Sales to external customers	65,008	91,365	45,979	202,352	702	174	876	203,228
Total segment revenue	65,008	91,365	45,979	202,352	702	174	876	203,228
Cost of products sold								
Sales to external customers	(46,851)	(57,576)	(31,840)	(136,267)	(491)	(1,051)	(1,542)	(137,809)
Cost of products sold – total	(46,851)	(57,576)	(31,840)	(136,267)	(491)	(1,051)	(1,542)	(137,809)
Gross margin	18,157	33,789	14,139	66,085	211	(877)	(666)	65,419
Gross margin	28%	37%	31%	33%	30%	-504%	-76%	32%
Gross profit – all operating segments								65,419
Adjustment for gross profit / (loss) on discontinued operations					(211)	877	666	666
Gross profit								66,085
Selling costs								(23,156)
Administrative expenses								(10,223)
Other operating income								1,703
Other operating expenses								(569)
Operating profit								33,840
Financial income								65
Financial expenses								(3,994)
Profit before tax								29,911
Income tax								(5,899)
Net profit from continuing operations								24,012
Net profit on discontinued operations								497
Net profit								24,509

Notes constitute an integral part of these financial statements

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33. Discontinued operations

In the financial statements prepared as at 31 December 2011, the assets and liabilities of the "Disposal group" are no longer disclosed as a result of the execution of a spin-off on 6 April 2011. As of that date assets and liabilities were removed from the statement of financial position. The spin-off transaction was presented in detail in the financial statements prepared as at 31 December 2011.

Because of the agreement on provision for use against payment (30 September 2010), until the transfer of ownership of the net assets (6 April 2011) the operating result of the Krynitzno Branch was limited to the amounts of monthly payments due to TOYA S.A. and its right to share in Toya Development Sp. z o.o. S.K.A.'s profits under the Articles of Association of the limited joint stock partnership.

Results on discontinued operations:

	1 January to 6 April (*) 2011
Sales revenue and other operating income	963
Costs of principal activity and other operating activities	(2,175)
Operating loss	(1,212)
Financial income	122
Financial expenses	(2)
Loss before income tax	(1,092)
Income tax	(96)
Net loss	(1,188)
Decrease of liability of TOYA S.A. towards Toya Development Sp. z o.o. S.K.A. related to a decrease in net assets of the discontinued operations in the period from 1 January 2011 to 6 April 2011	1,188
Fee for using the assets of the Krynitzno Branch	500
Net profit / loss	500

(*) Financial data as at the date of spin-off, i.e. as at 6 April 2011, have been determined using accounting data as at 31 March 2011 due to the fact that no significant transactions took place between 31 March and 6 April 2011, which could have an impact on net assets or net result of the discontinued activity.

Discontinued operations constituted separate operating segments – see note 32.

34. Material events subsequent to the end of reporting period**34.1 Taking control over Yato China Ltd.**

On 2 January 2013, Toya S.A. increased the capital of Yato China Co. Ltd. (hereinafter: Yato China). As a result of this transaction, the Company increased its share in Yato China from 51% to 75%. At the same time, changes were introduced to Yato China's Articles of Association, whereby Toya S.A. gained the right to nominate the majority of members of Yato China's Management Board. As a result, on 2 January 2013, Toya S.A. took control over Yato China and from this date, the entity will be subject to full consolidation.

The purpose of taking control over Yato China was to make better use of the potential of the local Chinese market, Asian markets and other markets where Yato China is present. This was also one of the issue objectives of the initial public offering.

The purchase price of the block of shares included cash in the amount of PLN 3,944 thousand (USD 1,272.5 thousand at the rate of 3.0996), which is equivalent to CNY 7,896 thousand.

34.2 Increase in capital

On 18 February 2013, the Management Board of the Company adopted a resolution concerning an increase in the share capital through the issue of series F shares within the authorised capital and a resolution concerning the exclusion of subscription right for new series F shares for the existing shareholders.

The share capital will be increased from PLN 7,521,358.90 to PLN 7,540,237.50, i.e. by PLN 18,878.60, by way of issue of 188,786 ordinary bearer series F shares.

The share capital is increased in order to offer shares to Supervisory Board Members in a private subscription. Individuals entitled to subscribe for series F shares will be exclusively Members of the Supervisory Board listed in the Resolution No 10 of the Ordinary General Shareholders' Meeting dated 23 May 2011 concerning the remuneration of the Company's Supervisory Board. The right to subscribe for the shares may be transferred by an eligible Member of the Supervisory Board, on terms specified in the above-mentioned Resolution, to a third party or parties indicated to the Company in writing.

The deadline for exercising the right to subscribe for series F shares and concluding an agreement on subscription for these shares is 25 May 2013.

As at the signing date of these financial statements, the increase in capital has not been registered with the National Court Register.

34.3 Annex to the agreement with Raiffeisen Bank Polska S.A.

On 25 February 2013, TOYA S.A. and Raiffeisen Bank Polska S.A. in Warsaw concluded an annex to the Debt Limit Facility Agreement, which extended the agreement until 5 March 2014.

As compared to the previous terms and conditions of the agreement, the loan amount decreased from PLN 30,000 thousand to PLN 20,000 thousand and the credit costs were reduced thanks to a lower credit margin and an up-front fee.

34.4 Adoption of a resolution concerning the dividend policy

On 25 March 2013, the Company's Management Board resolved to approve the Company's dividend policy.

According to the adopted resolution, the Management Board of the Company is planning consequent payment of dividend in subsequent years at 40–60% of the generated net profit. As the first step, at the next Ordinary General Shareholders' Meeting, the Management Board intends to present to the General Meeting a proposal of payment of dividend to the shareholders in the amount of 50% of the net profit generated in 2012.

The recommended dividend amount in the future will depend on the current market conditions, perspectives and the needs of funding the Company and Capital Group's development and it will take into account maintenance of the appropriate financial liquidity. A decision on the dividend payment will be made on a yearly basis by the Ordinary General Meeting.

34.5 Conclusion of a significant agreement with the distributor

On 1 April 2013, as a part of continuation of trade cooperation, the Company concluded a significant Distribution Agreement with KLIMAR – M. KLITYŃSKI, N. KLITYŃSKI Spółka Jawna with its registered office in Wrocław.

The agreement regulates the general framework and principles of trade cooperation between the parties in particular organisation of an efficient system for distribution and promotion of products on TOYA's offer, terms and conditions of orders and deliveries as well as principles of extending a trade credit.

The terms and conditions of the Agreement do not differ from terms and conditions commonly applied in this type of agreements.

Grzegorz Pinkosz
President of the Management
Board

Dariusz Hajek
Vice-President of the
Management Board

Iwona Banik
Person responsible for keeping
the accounting records

Wrocław, 10 April 2013