Consolidated financial statements for the year ended December 31st 2019, prepared in accordance with International Financial Reporting Standards endorsed by the European Union

AUTOPARTNER™

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(all amounts in PLN thousand)

Statement of profit or loss and other comprehensive income

	Note	period ended December 31st 2019	December 31st 2018
Revenue	5	1,479,373	1,154,993
Cost of sales	6	(1,092,473)	(847,970)
Gross profit (loss)		**386,900**	**307,023**
Distribution costs and marketing expenses	6	(172,587)	(132,712)
Storage (logistics) costs	6	(101,429)	(73,157)
Administrative expenses	6	(25,060)	(18,205)
Other gains (losses), net	7	(3,636)	(2,072)
Other income		337	374
Other expenses		(750)	(279)
Operating profit (loss)		**83,775**	**80,972**
Finance income	8	256	525
Finance costs	9	(9,795)	(7,196)
Profit (loss) before tax		**74,236**	**74,301**
Income tax	10.1	(15,522)	(15,659)
Net profit (loss)		**58,714**	**58,642**
Discontinued operations			
Net profit (loss) from discontinued operations		-	-
NET PROFIT (LOSS)		**58,714**	**58,642**
Other comprehensive income, net			
Exchange differences on translation of foreign operations		(18)	(8)
Total other comprehensive income, net		**(18)**	**(8)**
TOTAL COMPREHENSIVE INCOME		**58,696**	**58,634**
Net profit attributable to:			
Owners of the parent		58,714	58,642
Non-controlling interests		-	-
Total comprehensive income attributable to:			
Owners of the parent		58,696	58,634
Non-controlling interests		-	-
Earnings (loss) per share (PLN per share)			
From continuing and discontinued operations:			
Basic	11	0.45	0.45
Diluted	11	0.45	0.45
From continuing operations:			
Basic	11	0.45	0.45
Diluted	11	0.45	0.45

(all amounts in PLN thousand)

Consolidated statement of financial position

	Note	December 31st 2019	December 31st 2018
ASSETS			
Non-current assets			
Intangible assets	14	7,897	5,508
Property, plant and equipment	13	125,953	60,090
Investments in other entities	15	110	110
Other long-term receivables	18	1,896	1,702
Other non-current financial assets	16	37	44
Deferred tax assets		-	-
Total non-current assets		**135,893**	**67,454**
Current assets			
Inventories	17.1	460,584	434,702
Right-of-return assets	17.2	7,528	5,095
Trade and other receivables	18	101,394	81,799
Other financial assets	16	30	36
Current tax assets	10.2	150	-
Cash and cash equivalents	26	25,947	21,913
Total current assets		**595,633**	**543,545**
Total assets		**731,526**	**610,999**
EQUITY AND LIABILITIES			
Equity			
Share capital issued	19	13,062	13,012
Other components of equity	20	300,461	243,530
Retained earnings for current year	20	58,714	58,642
Translation reserve	20	(40)	(22)
Equity attributable to owners of the parent		**372,197**	**315,162**
Equity attributable to non-controlling interests		-	-
Total equity		**372,197**	**315,162**
Non-current liabilities			
Long-term borrowings	21	90,319	90,210
Lease liabilities	24	60,724	19,351
Employee benefit obligations	27	430	268
Long-term provisions	22	766	-
Deferred tax liability	10.5	4,174	2,901
Total non-current liabilities		**156,413**	**112,730**
Current liabilities			
Trade and other payables	23.1	65,761	97,912
Contract and right-of-return liabilities	23.2	9,778	6,793
Short-term borrowings	21	83,582	68,634
Lease liabilities	24	21,818	7,774
Reverse factoring liabilities	25.1	14,370	-
Factoring liabilities	25.2	3,550	-
Current tax liability	10.2	-	159
Employee benefit obligations	27	1,711	1,322
Short-term provisions	22	2,346	513
Total current liabilities		**202,916**	**183,107**
Total liabilities		**359,329**	**295,837**
Total equity and liabilities		**731,526**	**610,999**

(all amounts in PLN thousand)

Consolidated statement of cash flows

		period ended	
	Note	December 31st 2019	December 31st 2018
Cash flows from operating activities			
Profit before tax		**74,236**	**74,301**
Adjustments:		**(44,346)**	**(37,912)**
Depreciation and amortisation		20,084	8,666
Foreign exchange gains (losses)		(94)	100
Gains (losses) on investing activities		216	(210)
Finance costs recognised in profit or loss		9,616	6,919
Other adjustments – equity from issue of warrants		-	610
Other adjustments		(12)	(12)
Increase / decrease in inventories and right-of-return assets		(28,537)	(72,885)
Increase / decrease in trade and other receivables		(19,980)	(18,978)
Increase / decrease in trade and other payables		(28,788)	37,591
Increase / decrease in employee benefit obligations and provisions		3,149	287
Cash from operating activities		**29,890**	**36,389**
Income tax paid		(14,553)	(13,949)
Net cash from operating activities		**15,337**	**22,440**
Cash flows from investing activities			
Purchase of intangible assets and property, plant and equipment		(13,359)	(5,094)
Disposal of intangible assets and property, plant and equipment		105	81
Loans		(115)	(199)
Repayment of loans		59	193
Receipts from finance lease		199	214
Interest received		21	28
Receipts from forward contracts		-	1,063
Payments for forward contracts		-	(1,461)
Net cash from investing activities		**(13,090)**	**(5,175)**
Cash flows from financing activities			
Proceeds from issue of shares		980	1,336
Expenses related to issue of shares		(38)	(38)
Dividend paid		(2,603)	-
Borrowings received		15,024	2,323
Repayment of borrowings		-	(14)
Effect of financing – reverse factoring	25	14,375	-
Effect of financing – factoring	25	3,574	-
Payments under finance lease contracts		(19,990)	(8,197)
Interest and commissions paid		(9,469)	(7,474)
Net cash from financing activities		**1,853**	**(12,064)**
Total net cash flows		**4,100**	**5,201**
Cash and cash equivalents at beginning of period		21,913	16,609
Effect of exchange rate movements on net cash in foreign currencies		(66)	103
Cash and cash equivalents at end of period	26	**25,947**	**21,913**

(prepared using the indirect method)

(all amounts in PLN thousand)

Statement of changes in equity

	Share capital issued	Capital from issue of warrants	Share premium	Retained earnings – other	Translation reserve	Attributable to owners of the parent	Attributable to non-controlling interests	Total
Balance as at January 1st 2018	**12,945**	**1,493**	**104,176**	**136,020**	**(14)**	**254,620**	**-**	**254,620**
Net profit for period	-	-	-	58,642		**58,642**	-	**58,642**
Other comprehensive income for period, net	-	-	-	-	(8)	**(8)**	-	**(8)**
Total comprehensive income				**58,642**	**(8)**	**58,634**	**-**	**58,634**
Dividend paid	-	-	-	-	-	-	-	**-**
Issue of ordinary shares	67	-	1,231	-	-	1,298	-	**1,298**
Equity from issue of warrants	-	610	-	-	-	610	-	**610**
Balance as at December 31st 2018	**13,012**	**2,103**	**105,407**	**194,662**	**(22)**	**315,162**	**-**	**315,162**
Net profit for period	-	-	-	58,714	-	58,714	-	**58,714**
Other comprehensive income for period, net	-	-	-	-	(18)	(18)	-	**(18)**
Total comprehensive income				**58,714**	**(18)**	**58,696**	**-**	**58,696**
Dividend paid	-	-	-	(2,603)	-	(2,603)	-	**(2,603)**
Issue of ordinary shares	50	-	892	-	-	942	-	**942**
Equity from issue of warrants	-	-	-	-	-	-	-	**-**
As at December 31st 2019	**13,062**	**2,103**	**106,299**	**250,773**	**(40)**	**372,197**	**-**	**372,197**

Notes to the consolidated financial statements

1. General information

The Parent

Auto Partner S.A. with registered office at ul. Ekonomiczna 20, 43-150 Bieruń, Poland.

The Company is registered with the National Court Register at the District Court for Katowice-Wschód, 8th Commercial Division of the National Court Register, entry No. KRS 0000291327.

Principal business

The Company's principal business consists in the organisation of distribution of vehicle spare parts directly from manufacturers to end users. The Company is an importer and distributor of parts for passenger cars and delivery vehicles in the market for spare parts classified in accordance with the GVO regulations and directives of the European Union.

Duration of the Company

The Company has been established for indefinite time.

Financial year

The Company's financial year is the same as the calendar year.

Composition of the Management Board as at the date of authorisation of the financial statements for issue

Aleksander Górecki – President of the Management Board

Andrzej Manowski – Vice President of the Management Board

Piotr Janta – Vice President of the Management Board.

Composition of the Supervisory Board as at the date of authorisation of the financial statements for issue

Jarosław Plisz – Chairman of the Supervisory Board

Zygmunt Grajkowski – Deputy Chairperson of the Supervisory Board

Bogumił Woźny – Member of the Supervisory Board

Bogumił Kamiński – Member of the Supervisory Board

Mateusz Melich – Member of the Supervisory Board.

Commercial proxies

Grzegorz Lenda – joint commercial proxy.

Qualified Auditor

Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Spółka komandytowa al. Jana Pawła II 22, 00-133 Warsaw, Poland.

(all amounts in PLN thousand)

Listing venue

Auto Partner S.A. shares are listed on the Warsaw Stock Exchange in the continuous trading system.

Structure of share capital

The structure of the Company's share capital as at December 31st 2019 is presented below.

The share capital consists of:	**number of shares**	**par value per share, PLN**	**amount of share capital, PLN**
Series A ordinary bearer shares	1,000	0.10	100.00
Series B ordinary bearer shares	111,110	0.10	11,111.00
Series C ordinary bearer shares	160,386	0.10	16,038.60
Series D ordinary bearer shares	48,319,769	0.10	4,831,976.90
Series E ordinary bearer shares	39,964,295	0.10	3,996,429.50
Series F ordinary bearer shares	4,444,440	0.10	444,444.00
Series G ordinary bearer shares	999,000	0.10	99,900.00
Series H ordinary bearer shares	23,000,000	0.10	2,300,000.00
Series I ordinary bearer shares	2,070,000	0.10	207,000.00
Series J ordinary bearer shares	11,550,000	0.10	1,155,000.00
Total	**130,620,000**		**13,062,000.00**

The Group

As at the reporting date, the Auto Partner Group comprised Auto Partner S.A. as the parent and four subsidiaries consolidated with the full method. For more information on the consolidated entities, see Note 15.

All the companies comprising the Group have been established for indefinite time. The financial statements of all subsidiaries have been prepared for the same period as the parent's financial statements, in accordance with consistently applied uniform accounting policies.

The financial year of the parent and the Group companies is the same as the calendar year.

The Group's principal business consists in the organisation of distribution of vehicle spare parts directly from manufacturers to end users. The Group is an importer and distributor of parts for passenger cars and delivery vehicles in the market for spare parts classified in accordance with the GVO regulations and directives of the European Union.

2. Changes in accounting policies

Application of IFRS 16 *Leases*

IFRS 16 provides a general model for identifying and accounting for leases in the financial statements of lessors and lessees. It is effective for accounting periods beginning on or after January 1st 2019 and supersedes existing lease guidance, including IAS 17 *Leases* and related interpretations, i.e. IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives,* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The purpose of the new standard is to facilitate the comparison of financial statements that present both finance and operating leases in the statement of financial position of the lessee and to provide users of financial statements with information on the risks associated with such forms of lease. While introducing new lease accounting principles for lessees, the new standard repeats the IAS 17 requirements applicable to lessors.

Date of first application

The Group applied IFRS 16 for the first time on January 1st 2019.

Effects of the new definition of lease

The key element distinguishing the definition of a lease in accordance with IAS 17 from the definition of a lease in IFRS 16 is the concept of control. In accordance with IFRS 16, a contract is a lease or contains a lease component if it transfers all of the rights to control the use of an identified asset in a given period in exchange for payment. Control is deemed to occur if the customer has:

- the right to substantially all of the economic benefits from the use of the asset,

- the right to decide whether to use the asset.

The new standard introduces a single lease accounting model in the lessee's accounts. The application of IFRS 16 resulted in the recognition in the statement of financial position of the Group of certain types of contracts previously treated as operating leases not disclosed in the Group's financial statements. As at January 1st 2019, the Group identified one category of such contracts, i.e. property lease contracts.

Effect on the Group's accounting

The new standard does not distinguish between a finance lease and an operating lease in the lessee's accounts and requires recognition of the right to use the asset and the lease liability for all contracts concluded by the lessee, except for short-term leases and leases of low-value assets that are exempt from that requirement.

The Group decided to apply the modified retrospective approach in accordance with paragraph C5 (b) of IFRS 16. C5 (b), as prescribed in paragraph C8 (b) (ii), i.e. at the amount of the lease liability equal to the amount of the right-of-use asset. Therefore, the Group did not restate the comparative data. There was no adjustment to the opening balance of retained earnings as at the date of initial application.

As a practical expedient, the Group applied the provisions of paragraph C3 (a) – the standard was applied to contracts that were previously identified as leases in accordance with IFRS R17 and IFRIC 4, and the Group applies to those leases the transitional requirements in paragraphs C5–C18.

Upon initial application of IFRS 16, with respect to leases classified as operating leases in accordance with IAS 17, the Group recognises the right-of-use of assets and lease liabilities in the statement of financial position:

- the lease liability is measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The Group decided to apply one discount rate to a portfolio of lease contracts with similar characteristics, in accordance with paragraph C10 (a),

- the right-of-use asset is measured in accordance with paragraph C8 (b) (ii) in the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

As at the date of application of the standard, the weighted average incremental borrowing rate was 3%.

In accordance with paragraph 5 of IFRS 16, the Group made use of the exemption for short-term leases and leases of low-value assets.

In accordance with paragraph C10 (c) of IFRS 16 for operating leases whose lease term ends within 12 months from the date of initial application of IFRS 16, the Group applies the short-term principles; leases may be treated as short-term leases if they meet the definition of short-term leases in accordance with IFRS 16. Short-term leases are defined by the Group as contracts made for an indefinite term which may be terminated on a short notice, that is up to 12 months, without any material penalty imposed on the terminating party.

Effect on equity

The implementation of the MSSF16 had no effect on retained earnings or equity as at January 1st 2019 due to the fact that the amount of the right-of-use assets was the same as the amount of the lease liabilities.

Assets, useful lives and depreciation

With respect to the first application (implementation) of IFRS 16, the Group classified buildings and structures as the right-of-use assets. For the purpose of determining the depreciation rates, the Group adopted the non-cancellable period of the leases.

(all amounts in PLN thousand)

The new rules of recognising lease contracts made it necessary for the Group to adjust its accounting policy. The accounting policy was changed in accordance with the transitional provisions set out in IFRS 16. In the statement of financial position, the Group presents the right-of-use assets under the same line item as the assets owned by the Group and discloses in the notes to the financial statements which items in the statement of financial position include the right of-use-assets. Lease liabilities are presented separately from other liabilities in the financial statements.

Effect of application of IFRS 16 on the statement of financial position as at January 1st 2019:

	before application of IFRS 16	impact	after application of IFRS 16
ASSETS			
Property, plant and equipment	60,090	37,656	97,746
Total non-current assets	**67,454**	**37,656**	**105,110**
Total current assets	**543,545**	**-**	**543,545**
Total assets	**610,999**	**37,656**	**648,655**
EQUITY AND LIABILITIES			
Total equity	**315,162**	**-**	**315,162**
Lease liabilities	19,351	31,491	50,842
Total non-current liabilities	**112,730**	**31,491**	**144,221**
Lease liabilities	7,774	6,165	13,939
Total current liabilities	**183,107**	**6,165**	**189,272**
Total equity and liabilities	**610,999**	**37,656**	**648,655**

3. Statement of accounting policies

3.1. Basis of preparation of the consolidated financial statements

These full-year consolidated financial statements (the “consolidated financial statements”) of the Group for the period January 1st 2019 to December 31st 2019 and for the corresponding period of the previous year have been prepared in accordance with International Financial Reporting Standards (IFRS) endorsed by the European Union and in effect as at December 31st 2019. The accounting policies applied in the preparation of these consolidated financial statements are consistent with the policies applied in the preparation of the full-year consolidated financial statements for the financial year ended December 31st 2018, except for the changes described in Note 2 to these consolidated financial statements.

These consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern in the foreseeable future. As at the date of authorisation of these financial statements, there were no circumstances indicating any threat to the Group’s ability to continue as a going concern.

3.2. Amendments to existing standards applied for the first time in the financial statements for 2019

The following new standards, amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and endorsed by the EU were applied for the first time in the financial statements for 2019:

- IFRS 16 *Leases*, endorsed by the EU on October 31st 2017 and effective for annual periods beginning on or after January 1st 2019,
- Amendments to IFRS 9 *Financial Instruments: Prepayment Features with Negative Compensation*, endorsed by the EU on March 22nd 2018 and effective for annual periods beginning on or after January 1st 2019,
- Amendments to IAS 19 *Employee Benefits: Plan Amendment, Curtailment or Settlement*, endorsed by the EU on March 13th 2019 an effective for annual periods beginning on or after January 1st 2019,
- Amendments to IAS 28 *Investments in Associates and Joint Ventures: Long-Term Interests in Associates and Joint Ventures*, endorsed by the EU on February 8th 2019 and effective for annual periods beginning on or after January 1st 2019,
- Amendments to various standards provided for in *Annual Improvements to IFRS Standards 2015-2017 Cycle* – amendments made as part of the annual IFRS improvements process (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily to correct conflicts and clarify wording – endorsed by the EU on March 14th 2019, effective for annual periods beginning on or after January 1st 2019,
- IFRIC 23 *Uncertainty over Income Tax Treatments* endorsed by the EU on October 23rd 2018 and effective for annual periods beginning on or after January 1st 2019.

The amendments to the standards referred to above had no material effect on the Group's full-year financial statements for 2019, except for the amendments related to the implementation of IFRS 16, described in Note 2.

3.3. New standards and amendments to existing standards already issued by the IASB and endorsed by the EU but not yet effective

As at the date of authorisation of these financial statements for issue, the following amendments to existing standards were issued by the IASB and endorsed by the EU for application with effect as of a later date.

- Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* – definition of 'materiality', endorsed by the EU on November 29th 2019 and effective for annual periods beginning on or after January 1st 2020.
- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, and IFRS 7 *Financial Instruments: Disclosures – Interest Rate Benchmark Reform*, endorsed by the EU on January 15th 2020 and effective for annual periods beginning on or after January 1st 2020.
- Amendments to *References to the Conceptual Framework in IFRS Standards*, endorsed by the EU on November 29th 2019 and effective for annual periods beginning on or after January 1st 2020.

3.4. New standards and amendments to existing standards issued by the IASB, but not yet endorsed by the EU

There are no major differences between the IFRS as endorsed by the EU and the regulations issued by the International Accounting Standards Board (IASB), with the exception of the following new standards and amendments to standards which were not yet endorsed by the EU as at the issue date of this report (the effective dates given below refer to the full version of the standards):

- IFRS 17 *Insurance Contracts*, effective for annual periods beginning on or after January 1st 2021;
- Amendments to IFRS 3 *Business Combinations − Definition of a Business,* effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1st 2020 and to asset acquisitions that occur on or after the beginning of that period;
- Amendments to IAS 1 *Presentation of Financial Statements* – classification of liabilities as current or non-current, effective for annual periods beginning on or after January 1st 2022,
- IFRS 14 *Regulatory Deferral Accounts*, effective for annual periods beginning on or after January 1st 2016 – the European Commission has decided not to launch the endorsement process of this interim standard until the final IFRS 14 is issued.
- Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, and subsequent amendments − the effective date postponed until completion of research on the equity method.

The Group estimates that none of those new standards or amendments to existing standards would have had a material effect on its financial statements had they been applied by the Group at the end of the reporting period.

The scope of regulations endorsed by the EU still does not include hedge accounting for portfolios of financial assets and liabilities with respect to which relevant rules have not been endorsed for use in the EU.

The Group estimates that the application of hedge accounting for portfolios of financial assets and liabilities in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* would not have had a material effect had it been accepted for use as at the end of the reporting period.

3.5. Significant assessments and estimates

The preparation of financial statements in accordance with IFRS requires the Management Board of the Group to use judgements and estimates which affect the applied accounting policies and the amounts of reported assets, liabilities, income and expenses. Judgements and estimates are reviewed on an ongoing basis. A change in estimates is recognised in profit or loss for the period in which the change occurred. During the reporting period, there were no material changes in judgements and estimates.

3.6. Seasonality

The sale of spare parts and accessories, which constitutes the principal business of the Group, is subject to seasonal fluctuations during the year. Sales are higher during the second and third quarters, with lower sales typically reported in the fourth and first quarters of the year. Higher sales contribute to higher demand for merchandise at points of sale, which results in a seasonal increase in liabilities in the second and third quarters.

3.7. Functional and reporting currency

These consolidated financial statements have been prepared in the Polish zloty (PLN). The Polish złoty is the Group's functional and reporting currency. The data contained in these financial statements is presented in thousands of złoty, unless more accurate information is provided in specific cases.

The following policies were applied to translate financial data for the purpose of consolidating the financial statements of foreign subsidiaries.

Items of the statement of financial position were translated at the mid-rates quoted by the National Bank of Poland at the end of the reporting period:

NBP mid rate quoted for:	December 31st 2019	December 31st 2018
EUR	4.2585	4.3000
CZK	0.1676	0.1673
RON	0.8901	0.9229

Items of the statement of profit or loss and other comprehensive income were translated at the average of exchange rates quoted by the National Bank of Poland for the last day of each month in the reporting period:

Average NBP mid rate for reporting period	2019	2018
EUR	4.3018	4.2669
CZK	0.1676	0.1663
RON	0.9053	0.9165

Exchange differences on translation of foreign operations are recognised as translation reserve in equity.

3.8. Significant accounting policies

Basis of consolidation

These consolidated financial statements include the financial statements of the parent and its subsidiaries.

The parent has control if: it has power over a given entity, is exposed to variable returns, has rights to variable returns from its involvement in that entity, or is able to use power to determine the level of returns generated. The parent verifies its control of other entities if there is an indication of change in one or more of the above conditions of control. If the parent holds less than a majority of voting rights at an investee, but the voting rights held are sufficient to direct the relevant activities of the investee unilaterally, this means that the parent has control of the investee. When assessing whether voting rights in a given entity are sufficient to give it power, the Company considers all material circumstances, including: the size of its holding of voting rights relative to the size and dispersion of holdings of other shareholders; potential voting rights held by the Company, other shareholders and other parties; rights arising from other contractual arrangements; any additional facts and circumstances that indicate the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the parent obtains control of the subsidiary and ceases when the control is lost. Income and expenses of a subsidiary acquired or disposed of during the year are recognised in the consolidated statement of profit or loss and other comprehensive income from the date when the Company acquires control until the date when the Company ceases to control the subsidiary.

Profit or loss and all items of other comprehensive income are allocated to owners of the Company and non-controlling interests. The subsidiaries' comprehensive income is allocated to owners of the Company and non-controlling interests even if this results in a deficit on the part of non-controlling interests.

Where necessary, a subsidiary's financial statements are adjusted to ensure consistency with the parent's accounting policies.

Consolidated financial statements eliminate in full intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between companies of the Group.

Property, plant and equipment

Property, plant and equipment include own property, plant and equipment, leasehold improvements, property, plant and equipment under construction, and property, plant and equipment used under lease or rental contracts where the terms of such contracts transfer substantially all benefits and risks incidental to their ownership, used in the Group's operations and their useful life exceeds one year.

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes costs that are directly related to the acquisition or production of property, plant and equipment, including capitalised borrowing costs accrued until the asset is available for use. The cost of an item of property, plant and equipment is included in the purchase price, plus any applicable public charges in the case of imported assets, net of any discounts granted, and all costs directly attributable to the asset, incurred to bring the asset into a condition suitable for its use. The initial carrying amount of items of property, plant and equipment is increased by the amount of expenditure on their upgrades. Costs of maintenance of property, plant and equipment are taken to the current period's profit or loss.

Depreciation charges made to account for impairment due to wear and tear or the passage of time reduce the value of property, plant and equipment. The Group recognises depreciation charges on property, plant and equipment in equal instalments each month on a straight-line basis. Depreciation of property, plant and equipment begins from the month following the month in which an item of property, plant and equipment is available for use and entered in the register of assets, until the end of the month in which the total amount of depreciation charges equals the asset's initial value or in which the asset is designated for retirement, sold or identified as missing. Property, plant and equipment are depreciated on a systematic and planned basis over a fixed depreciation period. The length of the period, the rate and the method of depreciation are determined at the date the asset is available for use. Useful lives, depreciation methods and residual values are reviewed annually. Depreciation at a new rate determined as a result of such review starts as of the beginning of the financial year immediately following the year in which the review was carried out (prospectively). The Group depreciates its property, plant and equipment taking into account their useful lives reflecting actual wear and tear of the assets, on a straight-line basis, at the following rates:

– land – not depreciated,

– buildings and premises, as well as cooperative right to commercial property and cooperative right to residential property – 2.5%-10%,

– civil engineering structures – 2.5%-10%,

– steam generators and power units – 2.5%-10%,

– general-purpose machinery, equipment and apparatus – 10%-25%,

– technical equipment – 10%-30%,

– vehicles – 10%-40%,

– tools, instruments, movables and equipment not elsewhere classified – 5%-30%.

Assets held under a finance lease contract are depreciated over their expected useful life in accordance with the same rules as own assets. When there is no reasonable certainty that ownership will be transferred at the end of the lease term, the assets are depreciated over the non-cancellable period of the lease.

Intangible assets

Acquired identifiable intangible assets with definite useful lives, intended for the needs of the entity, which are controlled by the Group and from which the Group is likely to obtain future economic benefits.

Intangible assets include in particular software, copyrighted property rights, related rights, and licences.

Intangible assets are measured at cost less accumulated amortisation and impairment losses.

Intangible assets are amortised on a systematic and planned basis over a fixed amortisation period. Amortisation begins from the month following the month in which an intangible asset is available for use and entered in the register of assets. The Group applies the practical expedient in accordance with paragraph 97 of IAS 38, which, according to the Management Board's judgement, does not have a material effect on its financial statements.

The rate and the method of amortisation are determined at the date the intangible asset is available for use. Useful lives, the amortisation method and residual values are reviewed at the end of the financial year. Effects of changes in estimates are accounted for prospectively. If there is an indication of impairment, the Management Board initiates procedures to determine the amount of impairment loss.

Intangible assets are amortised in equal instalments on a monthly basis using the straight-line method.

Costs of software maintenance are expensed when incurred, unless they relate to a longer period, in which case they are accounted for proportionately through accrued expenses.

Leases – effective as of January 1st 2019

The Group as a lessee

In accordance with IFRS 16, a contract is a lease or contains a lease component if it transfers all of the rights to control the use of an identified asset in a given period in exchange for payment. Control is deemed to occur if the customer has:

- the right to substantially all of the economic benefits from the use of the asset,

- the right to decide whether to use the asset.

The new standard introduces a single lease accounting model for the lessee.

The standard does not distinguish between a finance lease and an operating lease in the lessee's accounts and requires recognition of the right to use the asset and the lease liability for all contracts concluded by the lessee, except for short-term leases and leases of low-value assets that are exempt from that requirement.

The Group decided to apply the modified retrospective approach in accordance with paragraph C5 (b) of IFRS 16. C5 (b), as prescribed in paragraph C8 (b) (ii), i.e. at the amount of the right-of-use liability equal to the amount of the right-of-use asset. Therefore, the Group did not restate the comparative data. There was no adjustment to the opening balance of retained earnings as at the date of initial application.

As a practical expedient, the Group applied the provisions of paragraph C3 (a) – the standard was applied to contracts that were previously identified as leases in accordance with IFRS R17 and IFRIC 4, and the Group applies to those leases the transitional requirements in paragraphs C5–C18.

Upon initial application of IFRS 16, with respect to leases classified as operating leases in accordance with IAS 17, the Group recognised the right-of-use of assets and lease liabilities in the statement of financial position:

- the lease liability is measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application. The Group decided to apply one discount rate to a portfolio of lease contracts with similar characteristics, in accordance with paragraph C10 (a),

- the right-of-use asset is measured in accordance with paragraph C8 (b) (ii) in the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application.

In the statement of financial position, the Group presents the right-of-use assets under the same line item as the assets owned by the Group and discloses in the notes to the financial statements which items in the statement of financial position include the right of-use-assets. Lease liabilities are presented separately from other liabilities in the financial statements.

In accordance with paragraph 5 of IFRS 16, the Group made use of the exemption for short-term leases and leases of low-value assets.

In accordance with paragraph C10 (c) of IFRS 16 for operating leases whose lease term ends within 12 months from the date of initial application of IFRS 16, the Group applied the short-term principles; leases may be treated as short-term leases if they meet the definition of short-term leases in accordance with IFRS 16. Short-term leases are defined by the Group as contracts made for an indefinite term which may be terminated on a short notice, that is up to 12 months, without any material penalty imposed on the terminating party.

Lease payments are split into an interest component and an amount decreasing the lease liability. Finance costs are taken directly to profit or loss.

Rental and lease contracts whose entire risks and rewards incidental to ownership of the assets are held by the lessor are recognised as operating leases and recognised as expense on a straight-line basis.

The Group as a lessor

The Group classifies leases as operating or finance leases. Whether a lease is a finance or an operating lease depends on the substance of the transaction rather than the form of the contract. In the case of finance leases, at the commencement date, the Group recognises assets held under a finance lease in its statement of financial position and discloses them as a receivable at an amount equal to the net investment in the lease. Finance income is recognised over the lease term in a manner that reflects a constant periodic rate of return on the Group's net investment in the lease. The Group recognises finance income over the lease term on a systematic and rational basis. Lease payments relating to a given period reduce the gross investment in the lease by reducing both the principal and the amount of unrealised income. For operating leases, the Group recognises lease payments from operating leases as income on a straight-line basis. Costs, including depreciation, incurred to earn the lease income are expensed.

Leases – policies applied until December 31st 2018

A lease is classified as a finance lease if, under a contract, substantially all potential rewards and risks incidental to ownership of the leased assets are transferred to the lessee. All other types of lease are treated as operating leases.

The Group as a lessee

Assets under finance leases are treated as the Group's assets and are measured at their acquisition-date fair value, but not higher than the present value of the minimum lease payments. The resulting liability to the lessor is disclosed in the statement of financial position under finance lease liabilities.

Lease payments are split into an interest component and an amount decreasing the lease liability. Finance costs are taken directly to profit or loss, unless they can be allocated directly to the relevant assets, in which case they are capitalised in accordance with the Group's accounting policies for borrowing costs. Contingent lease payments are recognised as an expense during the period in which they are incurred.

Rental and lease contracts whose entire risks and rewards incidental to ownership of the assets are held by the lessor are recognised as operating leases and recognised as expense on a straight-line basis.

The Group as a lessor

The Group classifies leases as operating or finance leases. Whether a lease is a finance or an operating lease depends on the substance of the transaction rather than the form of the contract. In the case of finance leases, at the commencement date, the Group recognises assets held under a finance lease in its statement of financial position and discloses them as a receivable at an amount equal to the net investment in the lease. Finance income is recognised over the lease term in a manner that reflects a constant periodic rate of return on the Group's net investment in the lease. The Group recognises finance income over the lease term on a systematic and rational basis. Lease payments relating to a given period reduce the gross investment in the lease by reducing both the principal and the amount of unrealised income. For operating leases, the Group recognises lease payments from operating leases as income on a straight-line basis. Costs, including depreciation, incurred to earn the lease income are expensed.

Financial assets

Classification and measurement

The Group classifies financial assets based on a business model used to manage groups of financial assets to meet a specific business objective and taking into account the characteristics of contractual cash flows from a given financial asset. As part of the Group's core business model, financial assets are held to collect contractual cash flows.

The Group classifies financial assets into three categories:

– financial assets measured at amortised cost,

– financial assets measured at fair value through other comprehensive income,

– financial assets measured at fair value through profit or loss.

The Group classifies as financial assets:

1) measured at amortised cost:

- trade receivables and other financial receivables;

- loans;

- cash;

2) measured at fair value through profit or loss:

- derivatives not designated for hedge accounting purposes for which changes in fair value result from changes in market conditions, i.e. exchange rate movements.

When measuring impairment of financial assets measured at amortised cost, the Group determines the portfolios in terms of credit risk and then places them in an appropriate basket of exposures, which determines their credit risk. As at the end of each reporting period, the Group assesses whether there were any indications that could result in classifying financial assets into individual exposure baskets. Given the large number of trading partners and invoices, the Group applies the portfolio approach to trade receivables, while for other financial assets, given their limited number in each category, the Group applies a case-by-case approach.

With respect to cash and assessment of its impairment, the Group deposits its cash with banks of high creditworthiness, verified on the basis of published ratings.

For impairment of trade receivables, the Group uses a simplified approach and measures allowances for expected credit losses at amounts equal to lifetime expected credit losses. The Group's trade receivables do not contain a significant financing component within the meaning of IFRS 15.

Expected credit losses on trade receivables are recognised as lifetime expected credit losses. To calculate expected credit losses, the Group uses a provision matrix estimated based on historical payment levels and recoveries from trading partners, and also applies a case-by-case approach. The matrix includes the following groups of receivables: receivables not past due, receivables past due for 1-30 days, receivables past due for 31-90 days, receivables past due for 91-120 days, receivables past due for 121-180 days, receivables past due for 181-360 days, and receivables past due for more than 360 days. The expected credit loss is calculated at the time when a receivable is recognised in the statement of financial position and remeasured as at each subsequent reporting date, depending on the number of days past due. In the case of trade receivables, the Group also applies a case-by-case assessment of expected credit losses with respect to receivables from related parties, factoring receivables and insurance receivables. Such approach is also applied to identified trade receivables where in the opinion of the Management Board the risk of irrecoverability is significant, e.g. due to liquidation or bankruptcy of the debtor.

Financial assets are written off when the Group determines that all collection measures have been exhausted and the assets cannot be expected to be recovered. This applies mainly to receivables past due more than 360 days (in the case of receivables from unrelated parties) and where collection of receivables was assessed as doubtful.

With respect to trade receivables, the Group uses external instruments, such as factoring arrangements; for details, see Note 25.

Prepayments and accrued income
The primary objective of prepayments and accrued income is to ensure that income and expenses are commensurate. The Group recognises prepayments and accrued income relative to prepaid expenses and expenses relating to future periods. They are accounted for over time. Prepayments and accrued income are charged to operating expenses or finance costs, depending on the nature of capitalised costs. In the statement of financial position, prepayments and accrued income are broken down into long- and short-term current receivables (receivables and other non-financial receivables).

Inventories and right-of-return asset

Inventories are measured at the lower of cost or realisable value. Inventory costs are determined using the FIFO method. Net realisable value is the estimated selling price of inventories in the ordinary course of business, less estimated costs of preparation for sale and estimated costs to sell.

The amount of discounts, rebates, concessions and other payments based on the volume of purchases (except marketing, warranty and advertising rebates) are recognised as a reduction of purchase price regardless of the date of actual receipt of such payments.

In the statement of financial position, the amount of the decrease in estimated cost of the right to return goods is disclosed as a separate item of the Group's asset under the Group's right to recover products from customers after the obligation to return the payment to the customer has been met.

The value of inventories is reduced by write-downs (and, accordingly, reversal of write-downs increases the value) recognised when the obtainable selling price is lower than the purchase price as well as when goods are found to be of inferior quality or damaged.

Due to their immateriality, costs of transport of purchased goods do not increase the value of inventories, are recognised as cost of goods sold when incurred, and are taken to profit or loss.

Cash

Cash and cash equivalents comprise cash in hand, cash in bank accounts, cash in transit, deposits and short-term securities with maturities of up to three months. Cash and cash equivalents disclosed in the statement of cash flows comprise cash in hand and cash in bank accounts; for further information, see Note 26.

Provisions, contingent liabilities and contingent assets

Provisions are recognised if the Group has a legal or constructive obligation resulting from a past event, the amount of such obligation can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The recognised amount of the provision reflects the best estimate of the amount required to settle the current liability at the reporting date, taking into account the risks and uncertainties associated with that liability. Where provisions are measured using the estimated cash flows needed to settle the current liability, the carrying amount of the liability corresponds to the present value of those cash flows (when the effect of the time-value of money is significant).

If some or all of the economic benefits required to settle the provision are likely to be recovered from a third party, the receivable is recognised as an asset if the probability of recovering the amount is sufficiently high and can be measured reliably.

Onerous contracts

Current liabilities under onerous contracts are recognised and measured as provisions. An onerous contract is a contract entered into by the Group in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Warranty

Provisions for expected warranty repairs are recognised upon sale of goods, at the amount of the Management Board's best estimate of future costs required to be incurred by the Group during the warranty period.

Commitments and contingent liabilities

In accordance with IAS 37, the Group does not recognise contingent liabilities. A contingent liability is disclosed in the financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets

In accordance with IAS 37, the Group does not recognise contingent assets. A contingent asset is disclosed in the financial statements if an inflow of economic benefits is probable.

Financial liabilities

Financial liabilities are classified by the Group into:

– financial liabilities measured at amortised cost,

– financial liabilities measured at fair value through profit or loss.

The Group classifies trade payables and borrowings as financial liabilities measured at amortised cost.
Derivative instruments not designated for hedge accounting purposes for which changes in fair value are attributable to changes in market conditions, i.e. exchange rates, are classified as liabilities at fair value through profit or loss.

Contract and right-of-return liabilities

The Group discloses the amount of revenue reduction on account of the estimated value of the right to return goods as a right-to-return liability. Contract liabilities under loyalty contracts with customers are less significant.

Financial derivatives

The Group enters into a variety of derivative contracts, through which it manages interest rate and exchange rate risks. These include forward contracts and currency options. Derivative instruments are initially recognised at cost as at contract date, and subsequently they are remeasured at fair value as at the end of each reporting period. The resulting gains or losses are recognised directly in profit or loss.

Hedge accounting

The Group does not apply hedge accounting.

Investments in equity instruments

Investments in subsidiaries, associates or joint ventures are excluded from the scope of IFRS 9. Shares in subsidiaries and associates are recognised at cost less impairment losses. Profit distributions made by a subsidiary are classified in accordance with a resolution of the General Meeting as receivables from related entities for a share in profits or as an increase in investments in related entities. Shares in other entities, which are not traded on a liquid market and due to their low materiality, are measured at cost, which in the opinion of the Management Board does not differ from the fair value.

Employee benefit obligations

In the statement of financial position, the Group recognises a retirement and disability benefit obligation at the present value of the liability as at the reporting date, including actuarial gains and losses.

The liabilities are determined in accordance with the projected unit method required under the International Accounting Standard 19, which is also known as the accrued benefits method. The essence of this method is to see each period of service as giving rise to an additional unit of non-wage benefit entitlement. In accordance with the definition, the value of future obligations is calculated as the accumulated portion of future benefits, taking into account the projected increase in remuneration underlying future benefits.

In determining the amount of such obligations, account is also taken of the probability that the entitlement to one-off retirement or disability severance payments accrues. The probability that the entitlement to a one-off retirement severance payment accrues is understood as the probability of the employee reaching the retirement age, provided that the employee remains in an employment relationship with the current employer. The probability that the entitlement to a one-off disability severance payment accrues is understood as the probability of the employee's becoming disabled before the employee reaches the retirement age, provided that the employee remains in an employment relationship with the current employer.

The amount of the obligation for accrued holiday entitlements is calculated as the remuneration due for unused accumulating paid absences.

Employee benefit obligations related to salaries and wages, annual leaves and sick leaves are recognised in the period in which the service is performed at the undiscounted amount of benefits expected to be paid in exchange for that service.

Recognised liabilities on account of other long-term employee benefits are measured at the value of estimated future cash outflows from the Group with regard to services provided by employees by the reporting date.

Share-based payments

Equity-settled share-based payments to employees and other persons providing similar services are measured at the fair value of equity instruments as at the grant date.

The fair value of equity-settled share-based payments measured as at the grant date is recognised as an expense on a straight-line basis during the vesting period, based on the Group's estimates regarding the equity instruments to be vested. At the end of each reporting period the Group reviews its estimates of the number of equity instruments to be granted. The effects of a revision of initial estimates, if any, are recognised in the statement of profit or loss over the remainder of the vesting period, with a corresponding adjustment to the employee benefit provision settled in equity instruments.

Transactions with other parties relating to share-based payments and equity-settled instruments are measured at fair value of the goods or services received, except where the value cannot be reliably measured. In such a situation, the measurement basis is the fair value of the equity instruments granted, measured at the date the entity receives the goods or services from the counterparty.

In the case of cash-settled share-based payments, a liability is recognised in proportion to the share of the value of the goods or services received. At the end of each reporting period (until the liability is settled), as well as at the settlement date, the fair value of the liability is measured, with any changes in fair value recognised in profit or loss for the year.

Equity

The Group's equity comprises:

- share capital, issued share capital, in the amount specified in the Articles of Association and registered with the National Court Register,

- statutory reserve funds created in accordance with the Commercial Companies Code,

- share premium, which is the excess over the par value of shares less issue costs.

- equity from measurement of management stock options,

- retained earnings comprising retained earnings from previous years (not yet distributed) and current profit or loss,

- translation reserve.

Income tax

The entity's income tax comprises current tax and deferred tax.

Current tax expense is calculated based on tax profit or loss (taxable income) for a given reporting period. Tax profit (loss) differs from accounting profit (loss) because it does not include temporarily non-taxable income or temporarily non-deductible expenses, or cost or income items that will never be subject to tax settlement. Tax charges are calculated based on the tax rates effective for a given financial year.

The carrying amount of a deferred tax asset is reviewed at each reporting date, and if the expected tax profit is insufficient to recover a deferred tax asset or a portion thereof, the asset is written down accordingly. Deferred tax liabilities and deferred tax assets are measured so as to account for the tax consequences of expected recovery (settlement) of the carrying amount of assets (liabilities) as at the reporting date.

Current and deferred tax is recognised in profit or loss, except for tax arising on items recognised in other comprehensive income or directly in equity. For such items, current and deferred tax is also recognised in other comprehensive income or equity, as appropriate. If current or deferred tax results from the initial accounting for a business combination, the tax effect is included in the subsequent accounting for that business combination.

Deferred tax assets and liabilities are calculated and recognised separately, while in the statement of financial position they are offset and presented on a net basis.

Foreign currency transactions

Transactions carried out in a currency other than the functional currency are reported using the exchange rate effective on the day preceding the date of the transaction, with the proviso that the exchange rate does not differ materially from the exchange rate at the date of the transaction. As at the end of the reporting period, monetary items are translated at the mid rate quoted by the National Bank of Poland for that date. Exchange differences arising from the accounting for such transactions and the measurement of cash assets and liabilities as at the reporting date at a mid-rate quoted by the National Bank of Poland for that date are recognised in profit or loss of the current period. Exchange differences arising from accounting for and measurement of trade receivables, trade payables and own cash are presented in the statement of profit or loss under other net gains and losses (borrowings, leases) under finance income and finance costs.

Revenue

In accordance with IFRS 15, revenue is recognised when a performance obligation is satisfied, i.e. when control over a good or service is passed (providing the ability to direct the use and obtain virtually all benefits from that good or service).

The Group classifies as revenue:

Revenue from sale of merchandise, arising from the Group's core business is recognised when the goods have been released from the warehouse, and all rights to the goods have been transferred.
Contracts concluded with customers do not have any significant financing components and the payment terms do not generally exceed three months. The Group grants customers additional discounts, whose estimated cost is recognised as reduction in revenue. The Group grants customers the right to return goods, which the Group recognises in the amount of consideration that the Group expects to receive. The Group sells goods with statutory warranty, which does not constitute a separate performance obligation and is recognised as a provision.

Revenue from sale of services: additional, relatively immaterial revenue recognised when the service is performed. Upon delivery of the service the customer receives and consumes the benefits provided by the performance. The performance obligation is fulfilled in the course of the performance of the service, as the services are of short duration.

Disclosure of disaggregated revenue – operating segments

The Management Board of the Group does not distinguish separate operating segments, as the Group's entire business consists in sale of spare parts and accessories for motor vehicles. The Group presents revenue from contracts with customers by geographical region, i.e. domestic, EU and non-EU sales.

4. Significant values based on the Management Board's professional judgement and estimates

The Management Board of the Group is required to make estimates, judgements and assumptions regarding the amounts of assets and liabilities. Key assumptions and sources of uncertainty concerning estimates require the Management Board to make the most difficult, subjective or complex assessments. An increase in the number of variables and assumptions affecting the likely future outcome of uncertainty estimates results in the assessment being more subjective and complex, thus increasing the risk of a future material adjustment to the carrying amount of assets and liabilities. Estimates and their underlying assumptions are based on historical experience and other factors considered material. Actual results may differ from those estimates. Estimates and the underlying assumptions are subject to ongoing verification. Any change in an accounting estimate is recognised in the period in which it was made if it refers exclusively to that period, or in the current period and future periods if it refers to both the current period and future periods. While making assumptions, estimates and judgements, the Management Board of the Group may take into account its experience and knowledge, as well as opinions, analyses and recommendations issued by independent experts.

Deferred tax

The Group identifies deferred tax asset based on the assumption that taxable profits will be available in the future against which the deferred tax assets can be realised. The Management Board reviews its estimates regarding the likelihood of recovering deferred tax assets based on changes in the factors taken into account in the recognition of assets, new circumstances and past experience. For information on deferred tax assets, see Notes.

Depreciation and amortisation expense

Depreciation/amortisation rates are determined based on the expected useful lives of property, plant and equipment and intangible assets. The Group reviews the useful lives of its assets annually.

Fair value measurement and measurement procedures

Certain assets and liabilities of the Group are measured at fair value for financial reporting purposes. The Management Board determines appropriate measurement techniques and uses fair value measurement inputs. In measuring the fair value of assets or liabilities, the Group uses observable market data to the maximum extent possible.

Estimate of expected cost of warranty repairs

In accordance with the applicable laws, the Group grants a two-year warranty for the goods it sells. If the goods are found defective during the warranty period, the Group must replace them with new goods or refund the cash and pay additional costs arising from the use of such defective goods.

At the same time, some suppliers provide quality guarantees to the Group for the purchased goods, which means that costs, if any, related to warranty complaints are transferred to the suppliers.

In order to allocate the cost of warranty repairs to the period in which the sale occurred, the Group estimates future costs of warranty repairs based on the volume of sales in a given period and the defectiveness rate of the goods sold.

The defectiveness rate is determined by the Group based on an analysis of the defectiveness of the goods sold on the basis of the information on recognised warranty complaints in the last three years and the actual costs of warranty repairs incurred in the period, taking into account the guarantees received from suppliers.

Estimate of the value of returns made by customers

Customers may freely return purchased goods within 14 days from the purchase date, provided that the goods do not bear any traces of use. Warranty replacements are governed by the applicable provisions of the Polish Civil Code.

In the opinion of the Management Board of the Group, the vast majority of returns are made within three months from the date of sale. The Group estimates the value of future adjustments to sales to reflect returns by customers based on historical data on returns and the current period's turnover.

Estimate of discounts received from suppliers

The Group receives discounts for the value of purchased goods, the volume of which depends on the annual turnover with a given supplier (including through participation in the purchasing group).

The amount of discounts is calculated after the end of the reporting period. Therefore, the Group calculates the present amount of its mark-up based on an individual relation between turnover bonuses received from each trading partner to the turnover in the period and the inventory of goods supplied by the business partner held by the Group, taking into account the aging of the inventory.

The estimated discounts are allocated proportionately to the value of merchandise sold and to the value of the inventory.

Estimate of revenue and discounts from marketing activities

The Group receives receivables and discounts for marketing activities, the volume of which depends on the annual turnover with a given supplier and other contractual arrangements with the supplier.

The amount of receivables and discounts is determined after the end of the reporting period, therefore the Group estimates the amount of receivables and discounts received based on the amount of turnover with a given supplier and the amount of discounts due under the agreement. These estimates reduce the amount of distribution costs and marketing expenses.

Estimate of recoverable amount of merchandise held

The Group grants discounts to its customers on sales prices, depending on trading volumes and other marketing factors. This gives rise to a significant difference in the amount of discounts granted to individual customers and may result in goods being sold at prices lower than the purchase price. Therefore, as at the end of each reporting period, the Group estimates the negative margins to be incurred in the future and recognises inventor write-downs, which ensures that inventories are measured at recoverable amounts.

The amount of such write-downs is determined based on the average negative margins earned on sales in the 36 months preceding the reporting date.

Probability of achieving turnover contracted with customers

For marketing purposes, the Group enters into support agreements and discount agreements with selected customers. Under such arrangements, the Group agrees to provide specific support or discounts if the trading partner achieves the contracted volume of turnover with the Group. The Group recognises the amount of support and discounts granted based on the trading partner's turnover and the probability of the contracted turnover volume being achieved. This probability is estimated based on historical data on the effectiveness of executed support agreements. Such estimates reduce revenue.

Estimate of impairment loss on receivables

(all amounts in PLN thousand)

Expected credit losses on trade receivables are recognised as lifetime expected credit losses. To calculate expected credit losses, the Group uses a provision matrix estimated based on historical payment levels and recoveries from trading partners, and also applies a case-by-case approach. The matrix includes the following groups of receivables: receivables not past due, receivables past due for 1-30 days, receivables past due for 31-90 days, receivables past due for 91-120 days, receivables past due for 121-180 days, receivables past due for 181-360 days, and receivables past due for more than 360 days. The expected credit loss is calculated at the time when a receivable is recognised in the statement of financial position and remeasured as at each subsequent reporting date, depending on the number of days past due. The Group also estimates expected credit losses on trade receivables on a case-by-case basis. This applies to identified trade receivables where in the opinion of the Management Board the risk of irrecoverability is significant, e.g. due to liquidation or bankruptcy of the debtor.

5. Revenue

The principal business of the Group is the sale of spare parts and accessories for motor vehicles, therefore the Management Board does not identify separate reportable segments for the purposes of managing the Group's business.

The Group does not have key customers and sales to none of the Group's customers exceed 10% of total sales.

	Period ended December 31st 2019	**Period ended December 31st 2018**
Revenue recognised at:		
Revenue from sale of merchandise	**1,477,124**	**1,153,815**
including:		
Sales of merchandise – Poland	*908,562*	*769,211*
Sales of merchandise – EU	*548,613*	*359,120*
Sales of merchandise – other exports	*19,949*	*25,484*
Revenue recognised on a time proportion basis:		
Revenue from rendering of services	**2,249**	**1,178**
including:		
Rendering of services – Poland	*1,503*	*622*
Rendering of services – EU	*746*	*556*
Rendering of services – other exports	-	-
Total revenue	**1,479,373**	**1,154,993**

6. Costs by nature of expense

	Period ended December 31st 2019	**Period ended December 31st 2018**
Depreciation and amortisation	(20,084)	(8,666)
Raw materials and consumables used	(13,619)	(9,244)
Services	(145,575)	(115,320)
Taxes and charges	(3,315)	(2,484)
Employee benefits expense	(102,959)	(77,321)
Other costs by nature of expense	(13,665)	(11,198)
Merchandise and materials sold	(1,092,332)	(847,811)
Total costs by nature of expense	**(1,391,549)**	**(1,072,044)**
Cost of sales	(1,092,473)	(847,970)
Distribution costs and marketing expenses	(172,587)	(132,712)
Storage (logistics) costs	(101,429)	(73,157)
Administrative expenses	(25,060)	(18,205)
Total costs by function of expense	**(1,391,549)**	**(1,072,044)**

(all amounts in PLN thousand)

7. Other gains (losses), net

	Period ended December 31st 2019	Period ended December 31st 2018
Foreign exchange gains or losses on operating activities	(1,652)	(107)
Impairment losses recognised and reversed on receivables	(2,070)	(1,172)
Other	86	(793)
Total other gains (losses), net	**(3,636)**	**(2,072)**

8. Finance income

	Period ended December 31st 2019	Period ended December 31st 2018
Gains on realised currency forward contracts measured at fair value through profit or loss	-	429
Gains on measurement of currency forwards assets and liabilities measured at fair value through profit or loss	-	-
Foreign exchange gains on financing activities	162	31
Interest on trade receivables	74	49
Other finance income	20	16
Total finance income	**256**	**525**

9. Finance costs

	Period ended December 31st 2019	Period ended December 31st 2018
Interest expense:		
Interest on term and overdraft facilities	(3,576)	(3,405)
Interest on non-bank borrowings from related entities	(1,335)	(1,335)
Interest on lease liabilities	(3,514)	(1,917)
Interest on factoring liabilities	(179)	-
Other interest expense	(61)	(17)
	(8,665)	(6,674)
Other finance costs:		
Losses on realised currency forward contracts measured at fair value through profit or loss	-	-
Losses on measurement of currency forwards assets and liabilities measured at fair value through profit or loss	-	-
Foreign exchange losses on financing activities	(69)	(209)
Credit commissions and fees	(835)	(244)
Factoring commissions and fees	(193)	(8)
Other finance costs	(33)	(61)
	(1,130)	(522)
Total finance costs	**(9,795)**	**(7,196)**

(all amounts in PLN thousand)

10. Income tax

The Group is subject to general income tax laws. It is not part of a tax group and does not conduct any operations in a special economic zone, which would entail different rules for calculating tax charges. The Group's financial and accounting year is the same as the calendar year. The current and deferred income tax were calculated at the rate of 19% of income taxable with the corporate income tax.

10.1. Income tax charged to profit or loss

	Period ended December 31st 2019	Period ended December 31st 2018
Profit before tax	**74,236**	**74,301**
Income tax at 19%	(14,105)	(14,117)
Tax effect – temporary and permanent differences	(1,417)	(1,542)
Adjustment to income tax for previous years	-	-
Total income tax	**(15,522)**	**(15,659)**
including:		
Current income tax:		
For current year	(14,134)	(14,186)
For previous years	(115)	-
	(14,249)	(14,186)
Deferred income tax:		
For current year	(1,273)	(1,473)
Deferred tax transferred from equity to profit or loss	-	-
	(1,273)	(1,473)
	(15,522)	**(15,659)**

10.2. Current tax assets and liabilities

	As at December 31st 2019	As at December 31st 2018
Current tax assets		
Income tax receivable	150	-
	150	**-**
Current tax liability		
Income tax payable	-	(159)
	-	**(159)**

10.3. Income tax charged directly to equity

No income tax was charged directly to equity in the reporting period.

10.4. Income tax charged to other comprehensive income

No income tax was charged to other comprehensive income in the reporting period.

(all amounts in PLN thousand)

10.5. Deferred tax

Deferred tax assets and liabilities:

	As at December 31st 2019	As at December 31st 2018
Deferred tax assets	13,639	10,927
Deferred tax liabilities	(17,813)	(13,828)
Total	**(4,174)**	**(2,901)**

Below are presented material temporary differences relating to deferred tax assets and liabilities:

	As at December 31st 2018	Recognised in profit or loss for 2019	As at December 31st 2019
Deferred tax assets			
Difference arising from rebate assets and inventory discounts	4,379	8	4,387
Difference arising from contracts with customers	580	822	1,402
Difference arising from returns after reporting date	262	99	361
Merchandise write-down	878	634	1,512
Impairment loss on receivables	732	306	1,038
Provision for employee benefit obligations	302	105	407
Other provisions	115	489	604
Difference arising from social security contributions and employee capital plans	406	124	530
Elimination of margins on consolidation	2,250	468	2,718
Asset on tax loss of subsidiary	559	376	935
Reversal of asset on tax loss of subsidiary	-	(559)	(559)
Difference arising from outstanding interest on non-bank borrowing	253	-	253
Other temporary differences	211	(160)	51
Total	**10,927**	**2,712**	**13,639**
Deferred tax liabilities			
Difference arising from property, plant and equipment and lease liabilities	(4,660)	(1,336)	(5,996)
Discounts/bonuses from suppliers	(8,759)	(2,934)	(11,693)
Other temporary differences	(409)	285	(124)
Total	**(13,828)**	**(3,985)**	**(17,813)**
Unrealised tax losses and other tax credits			
Tax losses	-	-	-
Tax credits	-	-	-
Other	-	-	-
Total	**-**	**-**	**-**
Total deferred tax asset (liability)	**(2,901)**	**(1,273)**	**(4,174)**

10.6. Unrecognised deferred tax assets and unused tax credits

The Management Board is of the opinion that there is no assurance that certain deferred tax assets may be utilised against income tax, so no deferred tax asset was recognised:

	As at December 31st 2018	Recognised in profit or loss for 2019	As at December 31st 2019
As at the reporting date, the following deferred tax assets were not recognised:			
- unused tax losses	-	-	-
- unused tax credits	-	-	-
- inventory write-downs recognised/reversed	4,083	(4,036)	47
Total	**4,083**	**(4,036)**	**47**

11. Earnings per share

	Period ended December 31st 2019	Period ended December 31st 2018
Net profit attributable to owners	58,714	58,642
Weighted average number of shares (thousand)	130,342	129,864
Earnings per share (PLN)	**0.45**	**0.45**

Earnings per share for a reporting period are calculated by dividing net profit for the reporting period by the weighted average number of shares outstanding in the period.

Diluted earnings per share are equal to basic earnings per share as there are no instruments with a dilutive effect.

12. Dividends

On April 5th 2019, the parent's Management Board passed a resolution to recommend payment of dividend of PLN 2,602,500 to the Company's shareholders, i.e. PLN 0.02 per share, and allocation of the balance of the net profit for the financial year 2018, of PLN 57,405,385.29, to the Company's statutory reserve funds. At its meeting on April 9th 2019, the Company's Supervisory Board approved the Management Board's recommendation. On May 24th 2019, the Annual General Meeting of Auto Partner S.A. resolved on the allocation of the profit for the financial year 2018 in accordance with the Management Board's and Supervisory Board's recommendations. It resolved to distribute PLN 2,602,500 as dividend to the shareholders. The dividend per share was PLN 0.02. The dividend was paid in respect of all 130,125,000 Company shares. The Annual General Meeting further resolved to set the dividend record date at June 3rd 2019, and the dividend payment date at June 12th 2019. The payment was made on that date.

(all amounts in PLN thousand)

13. Property, plant and equipment

-	As at December 31st 2019	As at December 31st 2018
Land	-	-
Buildings and structures	48,889	1,600
Machinery and equipment	30,819	18,809
Vehicles	11,515	10,140
Other	33,687	22,260
Property, plant and equipment under construction	1,043	7,281
Total carrying amount of property, plant and equipment	**125,953**	**60,090**

In the statement of financial position, the Group presents right-of-use assets (lease contracts, rental contracts) in the same line item as the assets owned by the Group. Such assets and the related depreciation expense are presented below.

-	As at December 31st 2019	As at December 31st 2018
Buildings and structures	46,852	-
Machinery and equipment	21,028	11,927
Vehicles	8,833	7,780
Other	24,572	15,119
Property, plant and equipment under construction (i)	679	6,753
Total carrying amount of property, plant and equipment under right-of-use arrangements	**101,964**	**41,579**

-	Period ended December 31st 2019	Period ended December 31st 2018
Buildings and structures	9,789	-
Machinery and equipment	1,901	1,871
Vehicles	1,134	995
Other	846	707
Total depreciation of property, plant and equipment under right-of-use arrangements	**13,670**	**3,573**

Right-of-use assets are mainly lease contracts for cars, storage racks, internal transport and handling systems, and office space rental contracts. Items of property, plant and equipment disclosed as used under lease contracts are secured with lessors' rights to the leased assets.

As at December 31st 2019, the net carrying amount of property, plant and equipment financed with non-bank borrowings (Note 21) was PLN 83 thousand (December 31st 2018: PLN 83 thousand); the assets were encumbered with the lender's rights to the assets.

(i) Leased property, plant and equipment under construction comprise lease contract assets not yet available for use at end of the period.

(all amounts in PLN thousand)

Movements in property, plant and equipment	Land	Buildings and structures	Machinery and equipment	Vehicles	Other property, plant and equipment	Property, plant and equipment under construction	Total
Gross carrying amount as at January 1st 2018	**-**	**2,577**	**26,490**	**13,929**	**26,574**	**1,028**	**70,598**
Increase							
Purchase	-	134	1,150	464	1,149	503	**3,400**
Accounting for property, plant and equipment under construction – purchase	-	18	38	-	72	(128)	**-**
Leases	-	-	2,630	2,229	635	6,753	**12,247**
Accounting for property, plant and equipment under construction – leases	-	-	-	62	813	(875)	**-**
Decrease							
Disposal	-	-	(25)	(867)	(153)	-	**(1,045)**
Liquidation	-	(39)	(16)	(68)	(11)	-	**(134)**
Other	-	-	-	-	-	-	**-**
Gross carrying amount as at December 31st 2018	**-**	**2,690**	**30,267**	**15,749**	**29,079**	**7,281**	**85,066**
Increase							
Purchase	-	704	4,088	955	2,754	130	**8,631**
Accounting for property, plant and equipment under construction – purchase	-	44	448	-	25	(517)	**-**
Leases	-	18,981	11,602	2,431	4,151	679	**37,844**
Leases – implementation of IFRS 16 – opening balance	-	37,656	-	-	-	-	**37,656**
Accounting for property, plant and equipment under construction – leases	-	-	-	-	6,753	(6,753)	**-**
Other	-	-	-	-		223	**223**
Decrease							
Disposal	-	-	(434)	(566)	(63)	-	**(1,063)**
Liquidation	-	(82)	(193)	(71)	(27)	-	**(373)**
Other	-	-	-	-	(129)	-	**(129)**
Gross carrying amount as at December 31st 2019	**-**	**59,993**	**45,778**	**18,498**	**42,543**	**1,043**	**167,855**
		,	,	,	,	,	,
Accumulated depreciation as at January 1st 2018	**-**	**851**	**8,063**	**4,681**	**5,370**	-	**18,965**
Deprecition in period	-	258	3,423	1,605	1,558	-	**6,844**
Disposal	-	-	(24)	(638)	(108)	-	**(770)**
Liquidation	-	(19)	(4)	(30)	(1)	-	**(54)**
Other	-	-	-	(9)	-	-	**(9)**
Depreciation as at December 31st 2018	**-**	**1,090**	**11,458**	**5,609**	**6,819**	**-**	**24,976**
Depreciation in period	-	10,073	4,073	1,761	2,069	-	**17,976**
Disposal	-	-	(397)	(359)	(27)	-	**(783)**
Liquidation	-	(59)	(175)	(16)	(5)	-	**(255)**

(all amounts in PLN thousand)

Other	-	-	-	(12)	-	-	**(12)**
Accumulated depreciation as at December 31st 2019	-	11,104	14,959	6,983	8,856	-	41,902
		,	,	,	,	,	,
Net carrying amount as at December 31st 2018	**-**	**1,600**	**18,809**	**10,140**	**22,260**	**7,281**	**60,090**
Net carrying amount as at December 31st 2019	**-**	**48,889**	**30,819**	**11,515**	**33,687**	**1,043**	**125,953**

(all amounts in PLN thousand)

14. Intangible assets

	As at December 31st 2019	As at December 31st 2018
Software	4,656	5,050
Other intangible assets	-	-
Intangible assets under development	3,241	458
Total carrying amount of intangible assets	**7,897**	**5,508**

In the statement of financial position, the Group presents right-of-use intangible assets (lease contracts) in the same line item as intangible assets owned by the Group. Such assets and the related amortisation expense are presented below.

	As at December 31st 2019	As at December 31st 2018
Software	368	373
Other intangible assets	-	-
Intangible assets under development	-	-
Total carrying amount of right-of-use intangible assets	**368**	**373**

	Period ended December 31st 2019	Period ended December 31st 2018
Software	85	6
Other intangible assets	-	-
Total amortisation of right-of-use intangible assets	**85**	**6**

Movements in intangible assets	Software	Other intangible assets	Intangible assets under development	Total
Gross carrying amount as at January 1st 2018	**12,776**	**336**	**255**	**13,367**
Increase				
Purchase	1,236	-	334	**1,570**
Accounting for intangible assets under construction – purchase	131	-	(131)	**-**
Leases	373	-	-	**373**
Accounting for intangible assets under construction – leases	-	-	-	**-**
Decrease				
Disposal	-	-	-	**-**
Liquidation	(1)	-	-	**(1)**
Other	(32)	-	-	**(32)**
Gross carrying amount as at December 31st 2018	**14,483**	**336**	**458**	**15,277**
Increase				

Purchase	1,255	-	3,179	**4,434**
Accounting for intangible assets under construction – purchase	371	-	(371)	**-**
Leases	85	-	-	**85**
Accounting for intangible assets under construction – leases	-	-		**-**
Other	-	-	(25)	**(25)**
Decrease				
Disposal	-	-	-	**-**
Liquidation	-	-	-	**-**
Other	-	-	-	**-**
Gross carrying amount as at December 31st 2019	**16,194**	**336**	**3,241**	**19,771**
	,	,	,	,
Accumulated amortisation as at January 1st 2018	**7,643**	**336**	**-**	**7,979**
Amortisation in period	1,822	-	-	**1,822**
Disposal	-,	-	-	**-**
Liquidation	-	-	-	**-**
Other	(32)	-	-	**(32)**
Accumulated amortisation – as at December 31st 2018	**9,433**	**336**	**-**	**9,769**
Amortisation in period	2,105	-	-	**2,105**
Disposal	-,	-	-	**-**
Liquidation	,	-	-	**-**
Other	-	-	-	**-**
Amortisation as at December 31st 2019	**11,538**	**336**	**-**	**11,874**
,		,	,	,
Net carrying amount as at December 31st 2018	**5,050**	**-**	**458**	**5,508**
Net carrying amount as at December 31st 2019	**4,656**	**-**	**3,241**	**7,897**

15. Investments in related and other entities

Presented below is key information on the entities consolidated with the full method.

Entity	**Principal business**	**Registered office**	**% ownership interest**	
			As at December 31st 2019	**As at December 31st 2018**
fully consolidated				
Maxgear Sp. z o.o. Sp. komandytowa	sale of spare parts and accessories for motor vehicles	Bieruń, Poland	100%	100%
Maxgear Sp. z o.o.	sale of spare parts and accessories for motor vehicles	Poland, Tychy	100%	100%
AP Auto Partner Latvia, SIA (i)	sale of spare parts and accessories for motor vehicles	Riga, Latvia	0%	100%
AP Auto Partner CZ, s.r.o.	sale of spare parts and accessories for motor vehicles	Prague, Czech Republic	100%	100%
AP Auto Partner RO, s.r.l.	sale of spare parts and accessories for motor vehicles	Timisoara, Romania	100%	100%

(i) In Q4 2019, the parent’s Management Board decided to wind up AP Auto Partner Latvia SIA, which did not conduct any operating activities. On January 16th 2020, Auto Partner S.A. received the decision on its removal from the Register of Businesses of Latvia with effect from November 28th 2019. The Company intends to continue expansion in the Latvian market through the existing distribution channels.

(all amounts in PLN thousand)

Investments in related and other entities

	As at December 31st 2019	As at December 31st 2018
Shares in other entities	110	110
impairment losses on investments	-	-
Total	**110**	**110**

16. Other financial assets

	As at December 31st 2019	As at December 31st 2018
Financial assets measured at fair value through profit or loss		
Currency futures	-	-
Total	-	-
Loans measured at amortised cost		
Loans to related entities	-	-
Loans to other entities	67	80
Total	67	80
Total	**67**	**80**
including		
Long-term	37	36
Short-term	30	44
Total	**67**	**80**

17. Inventories and right-of-return assets

17.1 Inventories

Merchandise is stored at central and subsidiary warehouses and is insured against theft, burglary and robbery, as well as fire and other natural calamities.

	As at December 31st 2019	As at December 31st 2018
Merchandise	469,459	444,505
Write-downs	(8,875)	(9,803)
Total	**460,584**	**434,702**

<u>Inventories pledged as security</u>

The Group created a registered pledge over inventories as security for bank borrowings; for details, see Note 21. The amount of liabilities secured with pledge over inventories is presented below.

(all amounts in PLN thousand)

	As at December 31st 2019	As at December 31st 2018
Liabilities secured with pledge on inventories	145,792	130,738

Under contracts concluded with certain suppliers for the purchase of goods, the supplied goods are deemed to become the property of the Group upon payment of the full purchase price. In the opinion of the Management Board of the Group, all significant risks incidental to the purchased goods are transferred upon delivery of the goods and therefore the purchase is recognised at the time of receipt of the delivery, while the reservation of transfer of ownership by the seller serves as security for the Group's trade payables.

Change in inventory write-downs

	Period ended December 31st 2019	Period ended December 31st 2018
Balance at beginning of period	9,803	10,851
Decrease	(5,424)	(2,363)
Increase	4,496	1,315
Balance at end of period	**8,875**	**9,803**

The cost of inventory write-downs comprises write-downs of inventories to their net realisable value as well as write-downs for goods that are inferior quality or damaged.

Recognised inventory cost

	Period ended December 31st 2019	Period ended December 31st 2018
Cost of sales	(1,092,332)	(847,811)
Storage (logistics) costs	-	-
Distribution costs	(4,116)	(3,226)
Administrative expenses	-	-
Total inventory cost recognised	**(1,096,448)**	**(851,037)**

Distribution costs comprise mainly the cost of warranty replacement of goods.

17.2 Right-of-return assets

Customers may freely return purchased goods within 14 days from the purchase date, provided that the goods do not bear any traces of use. Warranty replacements are governed by the applicable provisions of the Polish Civil Code. The Group estimated the value of future adjustments to sales to reflect returns by customers based on historical data on returns and the current period's turnover.

	As at December 31st 2019	As at December 31st 2018

Right-of-return assets	7,528	5,095

18. Trade and other receivables

	As at December 31st 2019	As at December 31st 2018
Trade receivables payable up to 12 months	79,797	59,828
Trade receivables payable over 12 months	1,202	1,655
Impairment losses on trade receivables	(5,079)	(3,559)
Total trade receivables	**75,920**	**57,924**
Expected income from participation in Global One purchasing group (i)	10,138	9,874
Write-down of expected income from participation in the Global One purchasing group	(304)	(100)
Finance lease receivables	24	221
Receivables from card system operators	1,420	976
Rent deposits receivable (ii)	1,576	1,422
Other financial receivables	692	2,641
Impairment losses on other financial receivables	(552)	(621)
Total trade and other financial receivables	**88,914**	**72,337**
Prepaid deliveries	3,590	4,116
Receivables on sale of property, plant and equipment	8	1
Prepayments and accrued income	2,340	2,505
VAT to be settled in subsequent periods	8,187	4,153
Other non-financial receivables	251	389
Total non-financial receivables	**14,376**	**11,164**
Total trade and other receivables	**103,290**	**83,501**
Other long-term receivables	1,896	1,702
Trade and other receivables	101,394	81,799
Total trade and other receivables	**103,290**	**83,501**

(i) Expected income from the participation in the Global One Automotive GmbH purchasing group is the amount of additional discounts on purchases made in a given financial year. An allowance was recognised for receivables that are not past due.

(ii) The Group paid security deposits pursuant to the terms of property lease contracts. The deposits serve as security for payment of liabilities under the contracts, and liquidated damages or compensation, if any.

Expected credit losses on trade receivables are recognised as lifetime expected credit losses. To calculate the expected credit losses, the Group uses a provision matrix estimated based on historical payment levels and recoveries from trading partners. The matrix differentiates between the following groups of receivables: not past due receivables, receivables past due for 1-30 days, receivables past due for 31-90 days, receivables past due for 91-120 days, receivables past due for 121-180 days, receivables past due for 181-360 days, and receivables past due for more than 360 days. When determining the recoverability of trade receivables, the Group takes into account changes in their quality from the credit origination date to the date of preparing the financial statements. Concentration of the credit risk is limited as the customer base is large and there are no links between individual customers.

(all amounts in PLN thousand)

Trade receivables – past due information	As at December 31st 2019	As at December 31st 2018
not past due	54,386	44,672
past due 1-30 days	16,908	10,719
past due 31-90 days	2,341	1,310
past due 91-120 days	1,049	138
past due 121-180 days	469	346
past due 181-360 days	574	348
over 360 days	193	391
Total trade receivables	**75,920**	**57,924**

Presented below is the amount of credit loss allowance by group of receivables.

	As at December 31st 2019	As at December 31st 2018
not past due	130	120
past due 1-30 days	57	53
past due 31-90 days	130	139
past due 91-120 days	84	98
past due 121-180 days	108	267
past due 181-360 days	1,385	681
over 360 days	3,185	2,201
Total impairment losses on trade receivables	**5,079**	**3,559**

Presented below is the change in the amount of credit loss allowances for other receivables.

	Period ended December 31st 2019	Period ended December 31st 2018
Balance at beginning of period	621	822
Increase	127	308
Decrease	(196)	(509)
Balance at end of period	**552**	**621**

Trade and other receivables pledged as security

Trade receivables are encumbered with a registered pledge securing credit facilities; for details, see Note 21. The amount of receivables pledged as security in the reporting periods is presented below.

	As at December 31st 2019	As at December 31st 2018
Receivables pledged as security	75,920	57,924

(all amounts in PLN thousand)

Finance lease receivables under leases where the Group acts as the financing party

	As at December 31st 2019	As at December 31st 2018
Five-year lease contract of July 17th 2014 with Auto Partner Truck Marek Górecki, an entity personally related to Members of the Management Board, leased asset: property, principal component: PLN 799 thousand, interest component: PLN 141 thousand. The contract is secured with the right to the leased asset.	-	187
Three-year lease contract of April 12th 2018 with a natural person, leased asset: passenger car, principal component: PLN 39 thousand, interest component: PLN 2 thousand. The contract is secured with the right to the leased asset.	24	34
Total	**24**	**221**
Short-term finance lease receivables	8	202
Long-term finance lease receivables	16	19
Total	**24**	**221**

Lease receivables are not past due and there is no risk of their impairment.

	Minimum lease payments		Present value	
	As at December 31st 2019	As at December 31st 2018	As at December 31st 2019	As at December 31st 2018
Up to 1 year	9	217	8	202
From 2 to 5 years inclusive	18	19	16	19
	27	236	24	221
Unearned finance income	(3)	(15)	n/a	n/a
Present value of minimum lease payments	24	221	24	221
Impairment loss	-	-	-	-
Total	**24**	**221**	**24**	**221**

(all amounts in PLN thousand)

19. Share capital

Auto Partner S.A. shares are listed on the Warsaw Stock Exchange in the continuous trading system.

	As at December 31st 2019	As at December 31st 2018
Fully paid-up share capital	**13,062**	**13,012**
thousands of shares		
Series A ordinary bearer shares	1	1
Series B ordinary bearer shares	111	111
Series C ordinary bearer shares	160	160
Series D ordinary bearer shares	48,320	48,320
Series E ordinary bearer shares	39,964	39,964
Series F ordinary bearer shares	4,444	4,444
Series G ordinary bearer shares	1,000	1,000
Series H ordinary bearer shares	23,000	23,000
Series I ordinary bearer shares (i)	2,070	1,570
Series J ordinary bearer shares (ii)	11,550	9,400
Series J ordinary registered shares (ii)	-	2,150
Total	**130,620**	**130,120**
Par value per share	0.10	0.10
Total par value	**13,062**	**13,012**

(i) Acting pursuant to Resolution No. 2 of the Extraordinary General Meeting of Auto Partner Spółka Akcyjna of March 17th 2016 on the issuance of Series B subscription warrants with the pre-emptive rights waived, a conditional increase in the Company's share capital with the pre-emptive rights waived, the implementation of an incentive scheme at the Company, and amendments to the Company's Articles of Association (the "Resolution") and the Rules of the Incentive Scheme of Auto Partner S.A. (the "Rules") adopted by the Supervisory Board on March 20th 2016 by Resolution No. 1, and based on the data contained in the audited full-year consolidated financial statements of the Auto Partner Group for the financial year 2018 issued on April 4th 2019, at its meeting on April 9th 2019, the Supervisory Board set the total number of subscription warrants at 495,000 and offered them to Eligible Persons as part of the Fixed Tranche and the Variable Tranche for the third reference period, i.e. January 1st − December 31st 2018 in the following manner: Andrzej Manowski (Vice President of the Management Board) – 190,000 (one hundred and ninety thousand) Series B subscription warrants; Piotr Janta (Vice President of the Management Board) – 190,000 (one hundred and ninety thousand) Series B subscription warrants; Michał Breguła (Member of the Management Board) – 5,000 (five thousand) Series B subscription warrants; Grzegorz Pal (Procurement Director) – 82,500 (eighty-two thousand five hundred) Series B subscription warrants; Arkadiusz Cieplak (Sales Director) – 27,500 (twenty seven thousand five hundred) Series B subscription warrants. Under the Scheme, Series B subscription warrants carry the right to acquire Series I shares in the Company at the issue price of PLN 1.98 (one złoty ninety-eight grosz) per share. The third reference period is the last period of the 2016–2018 Incentive Scheme (the final accounting for the Scheme will take place in 2019). On April 17th 2019, all 495,000 Series B subscription warrants offered by the Company under the 2016-2018 Incentive Scheme were acquired free of charge by the Eligible Persons. Also on April 17th 2019, the Eligible Persons, in the exercise of their rights under the Series B subscription warrants, acquired a total of 495,000 Series I shares in the Company at the issue price of PLN 1.98 per share, for a total amount of PLN 980,100 paid in cash. The shares were introduced to trading on the main market of the Warsaw Stock Exchange on July 25th 2019. Pursuant to Art. 451.2 and Art. 452.1 of the Commercial Companies Code, the acquisition of rights attached to Series I shares and the related increase in the Company's share capital was effected upon registration of the Series I shares in the securities account, i.e. on July 25th 2019. Therefore, the Company's share capital as at that date was PLN 13,062,000.

(ii) On June 4th 2019, the Supervisory Board of the parent, acting at the request of Aleksander Górecki, pursuant to Art. 334.2 of the Commercial Companies Code and Art. 8.3 of the Company's Articles of Association, passed Resolution No. 1/2019 to convert 2,150,000 Series J ordinary registered shares with a par value of PLN 0.10 per share into 2,150,000 Series J ordinary bearer shares with a par value of PLN 0.10 per share. Rights attached to the shares did not change. The shares were and continue to be non-preferred ordinary shares. The shares were introduced to trading on the main market of the Warsaw Stock Exchange on July 25th 2019.

(all amounts in PLN thousand)

20. Retained earnings and dividends

	As at December 31st 2019	As at December 31st 2018
Statutory reserve funds	298,358	241,427
Retained profit (losses)	58,714	58,642
Capital reserve from measurement of warrants, Note 30	2,103	2,103
Total retained earnings	**359,175**	**302,172**

Changes in reserve funds

	Period ended December 31st 2019	Period ended December 31st 2018
Statutory reserve funds at beginning of period	**241,427**	**205,312**
Dividend paid	(2,603)	-
Accounting for profit or loss for previous year	58,642	34,884
Share premium	892	1,231
Statutory reserve funds at end of period	**298,358**	**241,427**

Changes in retained earnings/losses

	Period ended December 31st 2019	Period ended December 31st 2018
Retained profit (losses) at beginning of period	**58,642**	**34,884**
Net profit attributable to owners	58,714	58,642
Dividend paid	(2,603)	-
Transfer to statutory reserve funds	(56,039)	(34,884)
Retained profit (losses) at end of period	**58,714**	**58,642**

Allocation of profit for 2018

On April 5th 2019, the parent's Management Board passed a resolution to recommend payment of dividend of PLN 2,602,500 to the Company's shareholders, i.e. PLN 0.02 per share, and allocation of the balance of the net profit for the financial year 2018, of PLN 57,405,385.29, to the Company's statutory reserve funds. At its meeting on April 9th 2019, the Company's Supervisory Board approved the Management Board's recommendation. On May 24th 2019, the Annual General Meeting of Auto Partner S.A. resolved on the allocation of the profit for the financial year 2018 in accordance with the Management Board's and Supervisory Board's recommendations. It resolved to distribute PLN 2,602,500 as dividend to the shareholders. The dividend per share was PLN 0.02. The dividend was paid in respect of all 130,125,000 Company shares. The Annual General Meeting further resolved to set the dividend record date at June 3rd 2019, and the dividend payment date at June 12th 2019. The payment was made on that date.

Capital not available for distribution to shareholders

(all amounts in PLN thousand)

Pursuant to Art. 396.1 of the Commercial Companies Code, which applies to the parent, at least 8% of profit for the financial year should be contributed to statutory reserve funds held for the purpose of covering losses, until the funds reach at least one-third of the Group's share capital. That part of the statutory reserve funds is not available for distribution to the shareholders.

	Period ended December 31st 2019	Period ended December 31st 2018
Statutory reserve funds created to cover losses in accordance with the Commercial Companies Code	4,354	4,337

Management Board's recommendation on the allocation of the 2019 profit

The Group's Management Board recommended allocation of the net profit for the financial year ended December 31st 2019 to statutory reserve funds. The rationale for the Management Board's recommendation was based on the Company's market environment, affected by the COVID-19 epidemic, and its impact on the Group's operations. The Management Board decided that it was in the Group's and the shareholders' interest to retain the profit earned in 2019 and transfer it to statutory reserve funds to secure the Group's operations in future periods.

21. Borrowings

	As at December 31st 2019	As at December 31st 2018
Unsecured – at amortised cost		
Borrowings from related entities	28,035	28,035
	28,035	**28,035**
Secured – at amortised cost		
Overdraft facilities	82,192	67,194
Bank borrowings	63,600	63,544
Other borrowings	74	71
	145,866	**130,809**
Total borrowings	**173,901**	**158,844**
Current liabilities (vi)	83,582	68,634
Non-current liabilities	90,319	90,210
Total borrowings	**173,901**	**158,844**

Credit facility and loan agreements:

	As at December 31st 2019	As at December 31st 2018
ING Bank Śląski S.A./working capital facility under multi-product facility agreement/sub-limit facility within multi-product facility limit (i)	48,873	57,750
ING Bank Śląski S.A./working capital facility under multi-product facility agreement/sub-limit facility within multi-product facility limit: EUR 2,500,000.00 (i)	6,807	6,881

(all amounts in PLN thousand)

ING Bank Śląski S.A./working capital facility /sub-limit facility within multi-product facility limit (i)	56,793	56,663
Santander Bank Polska S.A./working capital facility (ii)	18,845	9,444
mBank S.A./working capital facility (iii)	14,474	-
Shareholder loan (iv)	28,035	28,035
UniCredit Leasing a.s./facility to finance purchase of property, plant and equipment (v)	74	71
Total	**173,901**	**158,844**

(i) Credit facility agreement – ING Bank Śląski S.A.

On October 19th 2015, the parent and ING Bank Śląski signed multi-product agreement No. 882/2015/00000925/00, as amended. Maxgear Sp. z o.o. Sp.kom., a subsidiary, acceded to the agreement as joint and several debtor. The joint and several debtor agreed to pay all liabilities arising from the agreement. As at December 31st 2019, the credit limit was PLN 127,785,000.00, with repayment due on October 16th 2021. The subsidiary has access to a PLN 10m sublimit as part of the credit facility. As at December 31st 2019, the subsidiary had drawn PLN 4,274 thousand under the limit. The credit facility is secured with: registered pledge over inventories of merchandise owned by the Company along with the assignment of rights under an insurance policy, registered pledge over receivables, power of attorney granted to the bank over the Company's bank accounts with Santander Bank Polska S.A., the Company's representation under Art. 777.1.4. of the Code of Civil Procedure on submission to enforcement through delivery of the assets serving as security (inventories of merchandise), the Company's representation under Art. 777.1.5. of the Code of Civil Procedure on submission to enforcement through payment of an amount of up to PLN 194,970 thousand, Maxgear Sp. z o.o. Sp. k.'s representation under Art. 777.1.5. of the Code of Civil Procedure on submission to enforcement through payment of an amount of up to PLN 194,970 thousand; subordination of loans provided by Katarzyna Górecka and Aleksander Górecki, with a minimum amount of at least PLN 26,700,000,00 PLN, to claims under the agreement.

(ii) Credit facility agreement – Santander Bank Polska S.A.

On September 26th 2016, the parent and Bank Zachodni WBK S.A. signed multi-facility agreement No. K00922/16, as amended. As at December 31st 2019, the credit limit was PLN 24,000,000.00, with repayment due on March 31st 2020. Under the facility, PLN 20m is available for use as an overdraft facility and PLN 4m for use as guarantees. The facility is secured with a registered pledge over all inventories of merchandise stored at locations approved by the lender, with a minimum value of at least PLN 35,000,000.00; assignment to the lender of receivables under insurance of the pledged assets; subordination of loans provided by Katarzyna Górecka and Aleksander Górecki, with a minimum amount of at least PLN 26,700,000,00 PLN, to claims under the agreement, blank promissory note.

(iii) Credit facility agreement – mBank S.A.

On October 22nd 2019, the parent and mBank S.A. signed overdraft facility agreement No. 11/145/19/Z/VV. As at December 31st 2019, the amount of the facility was PLN 15,000,000.00, with repayment due on September 29th 2022. The facility is secured with: registered pledge over inventories of merchandise, assignment of rights under insurance contracts for the pledged inventories, the Company's declaration on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure, up to the amount of PLN 22,500 thousand, subordination of loans provided by Katarzyna Górecka and Aleksander Górecki, with a minimum amount of at least PLN 26,700,000,00 PLN, to claims under the agreement.

(iv) Shareholder loan

On January 2nd 2014, the parent, Aleksander Górecki and Katarzyna Górecka signed a loan agreement, as amended, providing for the loan repayment by January 2nd 2024. The loan is not secured, and bears interest at the rate of 5% per annum. As at December 31st 2019, the outstanding principal amount was PLN 26,700,000.00. The carrying amount of the loan includes accrued but not paid interest due for 2019 of PLN 1,335,000.00.

(all amounts in PLN thousand)

(v) Agreements for financing of property, plant and equipment – UniCredit Leasing a.s.

On August 17th 2017, AP Auto Partner C.Z. s.r.o. signed agreements with UniCredit Leasing a.s. No. 1251910740, 1251910741, 1251910742 for the financing of property, plant and equipment, for a total amount of CZK 386,727.00, with the lease term of 48 months. On June 21st 2019, another agreement (No. 1132304215) was signed to finance property, plant and equipment, for a total amount of CZK 149,479.00, with the lease term of 48 months. The financing is secured with the lessor's security interest in the leased assets.

(vi) The Group discloses all overdraft facilities as current liabilities, regardless of the agreed facility term.

22. Provisions

	As at December 31st 2019	**As at December 31st 2018**
Provisions for warranty repairs (i)	382	345
Provision for Management Board remuneration (ii)	2,554	-
Other provisions	176	168
	3,112	513
Short-term provisions	2,346	513
Long-term provisions	766	-
Total	**3,112**	**513**

(i) In accordance with the applicable laws, the Group provides consumer warranty for the goods sold. Under the warranty, the Group is required to replace defective goods with non-defective ones or return cash. The Management Board of the Group estimated future warranty costs and recognised appropriate provisions.

(ii) On April 9th 2019, by Resolution No 14, the Supervisory Board adopted the Rules of the 2019–2021 Incentive Scheme for members of the Auto Partner S.A. Management Board. The purpose of the Scheme is to establish an incentive mechanism that will ensure long-term growth of the shareholder value, reduce turnover of the Company's management staff, and put in place a system whereby members of the Management Board would be rewarded for their contribution to the growth of the Company's value. The Incentive Scheme is addressed to members of the Management Board: Andrzej Manowski, Piotr Janta and Michał Breguła. However, the mandate of Michał Breguła expired on September 7th 2019, i.e. during the reference period. The total amount of bonuses to be paid in accordance with the Rules will not exceed PLN 5,360,000.00 during the whole term of the Scheme, i.e. from 2019 to 2021.

On May 30th 2019, the General Meeting of Maxgear Sp. z o.o. approved the Rules of the Incentive Scheme for members of the Management Board of Maxgear Sp. z o.o.: Grzegorz Pal and Arkadiusz Cieplak, with the terms corresponding to the terms of the Rules of the Incentive Scheme for members of the Auto Partner S.A. Management Board. The bonuses to be paid under the Rules to the members of the Maxgear Sp. z o.o. Management Board will not exceed PLN 2,640,000.00 during the whole term of the Scheme, i.e. from 2019 to 2021.

(all amounts in PLN thousand)

23. Trade and other payables

23.1 Trade and other payables

	As at December 31st 2019	As at December 31st 2018
Trade payables due in up to 12 months	51,067	87,517
Trade payables due in over 12 months	-	-
Taxes, customs duties, social security and other benefits payable	9,341	5,038
Liabilities arising from acquisition of property, plant and equipment and intangible assets	257	576
Salaries and wages payable	5,017	3,841
Other liabilities	79	940
	65,761	**97,912**
Current liabilities	65,761	97,912
Non-current liabilities	-	-
Total	**65,761**	**97,912**

The average payment period is 60 days. The Group operates a financial risk management policy that ensures timely payment of liabilities.

23.2 Contract and right-of-return liabilities

	As at December 31st 2019	As at December 31st 2018
Contract liabilities	354	314
Right-of-return liabilities (i)	9,424	6,479
Total	**9,778**	**6,793**

(i) Customers may freely return purchased goods within 14 days from the purchase date, provided that the goods do not bear any traces of use. Warranty replacements are governed by the applicable provisions of the Polish Civil Code. The Group estimated the value of future adjustments to sales to reflect returns by customers based on historical data on returns and the current period's turnover. Contract liabilities are liabilities under contracts with customers.

24. Financial liabilities under lease contracts

Financial liabilities under lease contracts relate mainly to property, plant and equipment (rent/lease of property, warehouse equipment, means of transport). For more information, see Note 13.

Minimum lease payments	As at December 31st 2019	As at December 31st 2018
Up to 1 year	25,215	9,570
From 1 year to 5 years	65,267	21,815
Over 5 years	-	-

(all amounts in PLN thousand)

	90,482	31,385
Less future finance charges	(7,940)	(4,260)
Present value of minimum lease payments	**82,542**	**27,125**
Current finance lease liabilities	21,818	7,774
Non-current finance lease liabilities	60,724	19,351
Total	**82,542**	**27,125**

Present value of minimum lease payments	**As at December 31st 2019**	**As at December 31st 2018**
Up to 1 year	21,818	7,774
From 1 year to 5 years	60,724	19,351
Over 5 years	-	-
Total	**82,542**	**27,125**

IFRS 16 provides for exceptions to the lessee's general lease model for short-term leases (contracts under 12 months) and leases of low-value assets. Short-term leases are defined by the Group as contracts made for an indefinite term which may be terminated on a short notice, that is up to 12 months, without any material penalty imposed on the terminating party. The following payments are recognised directly in costs. Costs of some of the space lease contracts are re-charged to the cooperating affiliated companies.

Payments recognised as expenses	**Period ended December 31st 2019**	**Period ended December 31st 2018**
Minimum lease payments (i)	8,491	14,687
Contingent lease payments	-	-
Total	**8,491**	**14,687**

(i) Including cost of low-value asset leases, which was PLN 835 thousand in 2019. The cost was expensed in the period on a straight-line basis.

25. Factoring liabilities

25.1. Reverse factoring liabilities

On March 29th 2019, the Group entered into a reverse factoring agreement with Santander Faktoring Sp. z o.o., with a PLN 15 million factoring limit to finance purchases of merchandise from Polish and foreign suppliers. The agreement was valid until March 31st 2020. The first disbursement under the agreement was in April 2019. Security: blank promissory note with a promissory note declaration; declaration on voluntary submission to enforcement for up to PLN 22.5m; registered pledge over inventories of merchandise with a value of not less than PLN 15m; irrevocable power of attorney over bank accounts with Santander Bank Polska S.A.

	As at December 31st 2019	**As at December 31st 2018**
Secured – at amortised cost		
Reverse factoring liabilities	14,370	-
	14,370	**-**
Current liabilities	14,370	-

(all amounts in PLN thousand)

Non-current liabilities	-	-
Total	**14,370**	**-**

Disclosure in the consolidated statement of cash flows: in cash flows from financing activities, the Group discloses the difference between the amount of trade payables financed by the factor and the amount of the liabilities paid to the factor by the Group.

25.2 Factoring liabilities

On September 18th 2019, the Group entered into a factoring agreement with Santander Faktoring Sp. z o.o., with a PLN 10 million factoring limit. The agreement was valid until March 31st 2020. Security: blank promissory note with a promissory note declaration; irrevocable power of attorney over bank accounts with Santander Bank Polska S.A.; selective assignment of receivables. The agreement is a recourse facility.

	As at December 31st 2019	As at December 31st 2018
Secured – at amortised cost		
Factoring liabilities	3,550	-
	3,550	**-**
Current liabilities	3,550	-
Non-current liabilities	-	-
Total	**3,550**	**-**

The Group accounts for receivables financed with the factoring facility once it is notified of the customer's payment being credited in the factor's account; until that time the receivables are disclosed in the statement of financial position under trade receivables, and their financing – under factoring liabilities.

Disclosure in the consolidated statement of cash flows: in cash flows from financing activities, the Group discloses the difference between the amount of the prepayment received from the factor and the net amount remaining after offsetting the trade receivables against the liabilities (the offsetting takes place upon payment of the invoice to the factor).

26. Structure of cash in the statement of cash flows

	As at December 31st 2019	As at December 31st 2018
Cash in hand	1,157	1,394
Cash at banks	22,900	18,800
Cash in transit	1,886	1,703
Other cash	4	16
Total	**25,947**	**21,913**
including restricted cash - Split Payment accounts	*1338*	*26*
in PLN	6,002	6,296
in other currencies	19,945	15,617
Total	**25,947**	**21,913**

(all amounts in PLN thousand)

27. Employee benefit plans

27.1 Defined contribution plans

Pursuant to the Act on Social Insurance System of October 13th 1998, the Group's employees are covered by state plans. The Group is required to contribute a percentage of salaries and wages to the plans. General expenses recognised in the statement of profit or loss are presented below and comprise contributions paid by the Group under the plans, computed at the rates specified in the terms of the plans. Some of the contributions due for a reporting period have not been paid to the plans; they are due and payable after the reporting date.

	Period ended December 31st 2019	Period ended December 31st 2018
Social security contributions financed by the employer, expensed	(16,319)	(12,292)
of which unpaid premiums (i)	*2,689*	*2,087*

(i) some of the contributions due for a reporting period have not been paid to the plans; they are due and payable after the reporting date.

27.2 Provision for retirement and disability severance benefits and holiday entitlements

The Group is obliged to pay retirement and disability severance benefits. Any employee who reaches the retirement age of 65 for men and 60 for women is entitled to a severance payment upon retirement. The amount of the severance benefit is one month's salary. An employee who has acquired disability pension entitlements under social security due to permanent incapacity to work has a right to a disability severance payment. The amount of the disability severance payment is one month's salary. Provisions for employee benefits are calculated by an actuary. The provision for retirement and disability severance benefits was calculated with the projected unit method. The amount of future obligations is calculated as the accrued portion of future benefits, taking into account the projected increase in remuneration serving as the basis for the computation of future benefits. The calculation also reflects the probability of acquiring the entitlement to a one-off disability or retirement severance payment. The amount of the obligation for accrued holiday entitlements was calculated as the remuneration due for unused accumulating paid absences.

	As at December 31st 2019	As at December 31st 2018
Provision for accrued holiday entitlements	1,693	1,304
Provision for retirement and disability benefits	448	286
	2,141	**1,590**
Short-term	1,711	1,322
Long-term	430	268
Total	**2,141**	**1,590**

The employee benefits expense was recognised in the reporting period under the respective cost items.

Recognised cost of benefits	Period ended December 31st 2019	Period ended December 31st 2018
Provision for accrued holiday entitlements	(389)	(185)

(all amounts in PLN thousand)

Provision for retirement and disability benefits	(162)	(73)
Total	**(551)**	**(258)**

27.3 Employee capital plans

Pursuant to the Act on Employee Capital Plans of October 4th 2018, the Group is obliged to pay specific contributions towards such plans. Employee capital plans are established for the purpose of regular saving by the participants.

	Period ended December 31st 2019	**Period ended December 31st 2018**
Expensed contributions,	(65)	-
of which unpaid premiums (i)	*65*	-

(i) some of the contributions due for a reporting period have not been paid to the plans; they are due and payable after the reporting date.

28. Financial instruments

	As at December 31st 2019	**As at December 31st 2018**
Financial assets		
Measured at fair value through profit or loss:	-	-
Held for trading	-	-
Classified for measurement at fair value through profit or loss:	-	-
Measured at amortised cost:	114,904	94,109
Cash	*25,947*	*21,913*
Trade and other financial receivables	*88,890*	*72,116*
Loans	*67*	*80*
Measured at fair value through other comprehensive income	-	-
Financial receivables excluded from the scope of IFRS 9 – finance lease receivables	24	221
Financial receivables excluded from the scope of IFRS 9 – shares and interests in entities	110	110
Financial liabilities		
Measured at fair value through profit or loss:	-	-
Held for trading	-	-
Classified for measurement at fair value through profit or loss:	-	-
Hedging derivatives	-	-
Measured at amortised cost:	243,499	247,251
Trade payables	*51,067*	*87,517*
Contract liabilities	*354*	*314*
Liabilities arising from acquisition of property, plant and equipment and intangible assets	*257*	*576*
Borrowings	*173,901*	*158,844*
Reverse factoring liabilities	*14,370*	-
Factoring liabilities	*3,550*	-
Financial liabilities excluded from the scope of IFRS 9 – finance lease liabilities	82,542	27,125

(all amounts in PLN thousand)

Fair value

The Group designated derivative financial instruments for which changes in fair value are attributable to changes in market conditions (i.e. exchange rate movements) as financial assets and liabilities measured at fair value through profit or loss. In the reporting period, the Group did not enter into any currency forward contracts.

In the opinion of the Management Board, the carrying amounts of financial assets and liabilities disclosed in these financial statements approximate their fair values.

29. Financial risk management

The Group's business involves exposure to a number of different financial risks: market risk, currency risk, credit risk and liquidity risk. The Group's principal objective in financial risk management is to ensure liquidity.

Capital management

The purpose of the Group's capital management is to ensure that the Group can continue as a going concern and to maximise return for the shareholders by optimising the debt-equity structure.

The Group is not subject to any external capital requirements, apart for the following:

1) Pursuant to Art. 396.1 of the Commercial Companies Code, which applies to the parent, at least 8% of profit for the financial year should be contributed to statutory reserve funds held for the purpose of covering losses, until the funds reach at least one-third of the Group's share capital. That part of statutory reserve funds (retained earnings) is not available for distribution to shareholders.

	Period ended December 31st 2019	Period ended December 31st 2018
Share capital	13,062	13,012
Statutory reserve funds created to cover losses in accordance with the Commercial Companies Code	**4,354**	**4,337**

2) Financial covenants contained in the credit facility agreements limit the Company's ability to pay dividends to 30% of the net profit for the preceding year; this percentage may be increased to 50% provided that the solvency ratio, calculated as equity to total assets, is maintained at no less than 50%.

The Group analyses its capital position using the leverage ratio, which is calculated as net debt to equity disclosed in the statement of financial position.

	As at December 31st 2019	As at December 31st 2018
Borrowings	173,901	158,844
Lease liabilities	82,542	27,125
Factoring liabilities	17,920	-
Cash and cash equivalents	(25,947)	(21,913)
Net debt	**248,416**	**164,056**
Equity	**372,197**	**315,162**
Net debt to equity	**0.67**	**0.52**

(all amounts in PLN thousand)

Credit risk

Credit risk at the Group is related mainly to trade receivables, and means the risk that a counterparty will default on its contractual obligations, which will result in financial losses to the Group. As a rule, the Group only trades with customers with proven creditworthiness; if necessary, the Group takes appropriate security to reduce the risk of incurring financial losses due to the customer's default. The Group uses financial information available in the public domain and its own transaction data to assess the creditworthiness of its main customers. The Group's exposure to credit risk is constantly monitored. Trade receivables include amounts due from a large number of customers. Therefore, the Group is not exposed to material credit risk from a single counterparty, although the concentration increases as the scale of its operations on foreign markets grows. Therefore, the Group also insures a specific portfolio of receivables from foreign customers.

Cash is held in domestic and foreign banks with high credibility.

Bank	Fitch		Moody's		Cash concentration as at December 31st 2019
	Rating	Outlook	Rating	Outlook	
Bank A	A	stable (under observation)	A2	stable	59.12%
Bank B	BBB +	stable	A2	stable	11.64%
Bank C	BBB-	under observation with positive indication	A3	negative	0.39%
Bank D	A	stable	A1	stable	12.50%
Bank E	BBB +	negative	A1	stable	16.35%

*) Percentage share calculated based on the balance of cash held in bank accounts as at December 31st 2019.

Interest rate risk

The Group is exposed to interest rate risk. The risk is managed by maintaining an appropriate proportion of fixed- and variable-rate borrowings. The Group does not use derivative instruments to hedge against interest rate risk.

The Group's exposure to interest rate risk related to financial assets and liabilities is discussed in detail in the section on liquidity risk management.

The sensitivity analysis presented below is based on the exposure to interest rate risk of other financial instruments as at the reporting date. For variable-rate liabilities, it is assumed that the amount of outstanding liabilities as at the reporting date was not paid throughout the year. In internal interest rate risk reports for the key management, an increase and decrease of 50 basis points is used, reflecting the management's assessment of the likely change in interest rates.

Effect of interest rate change by +/-50 bps on the net profit:

	As at December 31st 2019	**As at December 31st 2018**
Cash at banks	22,900	18,800
Liabilities under bank borrowings	(145,866)	(130,809)
Lease liabilities	(34,559)	(27,125)
Factoring liabilities	(17,920)	-
Variable rate financial assets and liabilities	**(175,445)**	**(139,134)**
Change in financial assets and liabilities	(878)	(696)
Effect on profit before tax	(878)	(696)
Tax effect	167	132
Effect of 50 bps increase in interest rate on net profit	**(711)**	**(564)**
Change in financial liabilities	878	696
Effect on profit before tax	878	696
Tax effect	(167)	(132)
Effect of 50 bps decrease in interest rate on net profit	**711**	**564**

(all amounts in PLN thousand)

The Group's sensitivity to interest rate risk did not change materially.

Currency risk

The Group enters into certain transactions denominated in foreign currencies, and thus it is exposed to the risk of exchange rate fluctuations. In 2019, the Group did not use derivative instruments to hedge against currency risk.

The carrying amount of the Group's monetary assets and liabilities denominated in foreign currencies as at the reporting date was as follows:

	As at December 31st 2019	As at December 31st 2018
Liabilities in PLN		
EUR	91,733	75,930
USD	6,652	12,608
CZK	295	120
HUF	24	43
RON	7	25
Other	6	29
Assets in PLN		
EUR	52,253	25,797
USD	53	39
CZK	5,095	4,787
HUF	3,270	3,469
RON	1,496	1,397
Other	11	21

The Group is exposed to significant currency risk resulting from its currency exposure, which may affect future cash flows and profit or loss. The main source of currency risk at the Group is purchases of goods in the euro and the US dollar, and sales of goods in the euro and the Czech crown.

The table below presents the Group's sensitivity to 10% appreciation or depreciation of the Polish złoty against the relevant foreign currencies. The sensitivity analysis covers only outstanding monetary items denominated in foreign currencies and adjusts the end-of-period translation for a 10% change in exchange rates. The positive value in the table below indicates an increase in profit and equity resulting from a 10% appreciation of the Polish złoty against the foreign currencies. In the event of a 10% depreciation of the złoty in relation to a given foreign currency, the value would be negative, and the effect on profit and equity would be the opposite.

	Period ended December 31st 2019	Period ended December 31st 2018
Profit (loss) before tax	3,948	5,013
Tax effect	(750)	(953)
Effect of 10% decrease in EUR exchange rate	**3,198**	**4,061**
Profit (loss) before tax	660	1,257
Tax effect	(125)	(239)
Effect of 10% decrease in USD exchange rate	**535**	**1,018**
Profit (loss) before tax	(480)	(467)
Tax effect	91	89
Effect of 10% decrease in CZK exchange rate	**(389)**	**(378)**

(all amounts in PLN thousand)

Profit (loss) before tax	(325)	(343)
Tax effect	62	65
Effect of 10% decrease in HUF exchange rate	**(263)**	**(278)**
Profit (loss) before tax	(149)	(137)
Tax effect	28	26
Effect of 10% decrease in RON exchange rate	**(121)**	**(111)**

Changes in the exchange rates of currencies other than EUR, USD and CZK have no material effect on the Group's profit.

The Group's sensitivity to currency risk has not changed materially.

Liquidity risk

The ultimate responsibility for liquidity risk management rests with the Management Board, which has put in place an appropriate system for managing short-, medium- and long-term financing and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserve credit facilities, continuously monitoring projected and actual cash flows, and matching the maturity profiles of financial assets and liabilities. The Group had the following undrawn amounts of credit and factoring facilities as at the reporting dates indicated:

	As at December 31st 2019	As at December 31st 2018
Factoring agreements:		
Amount used	17,920	-
Amount available	7,080	-
Secured bank financing:		
Amount used	141,765	126,041
Amount used by subsidiary (i)	4,274	4,977
Amount available	16,746	6,767
Total	**187,785**	**137,785**

Within the limit of 127,785 thousand, the facility is also used by the Company's subsidiary. As at December 31st 2019, the subsidiary used PLN 4,274 thousand.

Apart from the above credit facilities contracted with banks, the Group also uses shareholder loans; for details, see Note 21.

The table below presents the contractual maturities of the Group's non-derivative liabilities as at December 31st 2019, including cash flows from both interest and principal. The contractual maturity date was determined as the earliest possible date when repayment may be required from the Group.

(all amounts in PLN thousand)

	Note	Carrying amount	Cash flows	<=30days	31-90 days	91-365 days	1-5 years	> 5 years
As at December 31st 2018								
Bank borrowings (other than overdraft facilities)	21	63,615	69,267	285	278	1,439	67,265	-
Overdraft facilities	21	67,194	67,194	-	-	9,444	57,750	-
Non-bank borrowings	21	28,035	34,710	1,335	-	1,335	32,040	-
Finance lease liabilities	24	27,125	31,385	811	1,701	7,058	21,815	
Trade payables	23	87,517	87,517	83,824	3,446	145	102	-
Other liabilities	23	10,395	10,395	7,803	2,592	-	-	-
Contract liabilities	23	314	314	314	-	-	-	-
		284,195	**300,782**	**94,372**	**8,017**	**19,421**	**178,972**	-
As at December 31st 2019								
Bank borrowings (other than overdraft facilities)	21	63,674	67,607	298	281	1,461	65,567	-
Overdraft facilities and loans	21	82,192	82,192	106	18,714	-	63,372	-
Non-bank borrowings	21	28,035	33,375	-	-	1,335	32,040	-
Finance lease liabilities	24	82,542	90,482	2,116	4,242	18,857	65,267	-
Factoring liabilities	25	17,920	18,080	2,108	15,202	770	-	-
Trade payables	23	51,067	51,067	49,297	1,770	-	-	-
Other liabilities	23	14,694	14,694	11,732	2,962	-	-	-
Contract liabilities	23	354	354	354	-	-	-	-
		340,478	**357,851**	**66,011**	**43,171**	**22,423**	**226,246**	-

(all amounts in PLN thousand)

The table below presents the projected maturities of the Group’s non-derivative financial assets as at December 31st 2019, including cash flows from both interest and principal.

	Note	Carrying amount	Cash flows	<=30days	31-90 days	91-365 days	1-5 years	> 5 years
As at December 31st 2018								
Cash	26	21,913	21,913	21,913	-	-	-	-
Finance lease receivables	18	221	236	4	2	211	19	-
Trade receivables	18	57,924	57,924	52,519	959	1,860	2,586	-
Receivables from participation in purchasing group	18	9,774	9,774	-	-	9,774	-	-
Loans	16	80	93	33	17	8	35	-
Other financial receivables	18	4,418	4,418	2,920	-	-	1,498	-
		94,330	**94,358**	**77,389**	**978**	**11,853**	**4,138**	**-**
As at December 31st 2019								
Cash	26	25,947	25,947	25,947	-	-	-	-
Finance lease receivables	18	24	27	1	3	8	15	-
Trade receivables	18	75,920	75,920	59,948	8,015	6,755	1,202	-
Receivables from participation in purchasing group	18	9,834	9,834	-	-	9,834	-	-
Loans	16	67	80	29	2	6	43	-
Other financial receivables	18	3,136	3,136	1,560	-	-	-	1 576
		114,928	**114,944**	**87,485**	**8,020**	**16,603**	**1,260**	**1 576**

The amounts shown above for variable-rate financial assets and liabilities may change in the event of interest rate movements.

30. Share-based payments

On March 17th 2016, the Extraordinary General Meeting passed a resolution to establish an Incentive Scheme for the Group's key management staff. The Scheme was effective from the date of adoption of the Incentive Scheme Rules by the Supervisory Board, i.e. from March 20th 2016 to December 31st 2019. At the same time, a decision was made on a conditional increase in the Group's share capital by no more than PLN 230,000, through the issuance of up to 2.3m Series I ordinary bearer shares with a par value of PLN 0.10.

The Incentive Scheme participants could, subject to satisfaction of the criteria set out in the resolution and the Incentive Scheme Rules, receive the right to subscribe, free of charge, for up to 2.3m warrants carrying the right to acquire Series I shares at a price equal to 90% of the issue price of Series H shares in the public offering. The issue price of Series H shares was set at PLN 2.20.

The number of warrants held by the Eligible Persons would be determined in relation to each reference period and would depend on the achievement of business targets consistent with the Group's strategic plans, as specified in detail in the Incentive Scheme Rules.

In accordance with the Incentive Scheme Rules, the Scheme consisted of two tranches:

a) Fixed Tranche – granted under a Supervisory Board resolution based on an increase in EBITDA calculated on the basis of the consolidated financial statements of the Auto Partner Group;
b) Variable Tranche – granted by the Supervisory Board at its discretion.

The rights to subscribe for shares under the warrants could be exercised within 30 days of their receipt.

The Incentive Scheme was valued by an actuarial office using the Black-Scholes-Merton model for European options, modified to account for share price dilution. The fair value of a single warrant and the fair value of the Group's Incentive Scheme in the respective periods was as follows:

Fair value of warrants as at the grant date:	**for the first reference period, to be delivered in 2017** (i)	**for the second reference period, to be delivered in 2018** (i)	**for the third reference period, to be delivered in 2019** (i)
number of warrants to be exercised in the fixed tranche	900,000.00	675,000.00	495,000.00
number of warrants to be exercised in the variable tranche	100,000.00	75,000.00	55,000.00
Total	**1,000,000.00**	**750,000.00**	**550,000.00**
weighted average value per warrant (PLN)	0.76	0.97	1.23
Fair value as at grant date (PLN thousand)	760.00	727.50	676.50

(i) first reference period: January 1st – December 31st 2016, second reference period: January 1st – December 31st 2017, third reference period: January 1st – December 31st 2018.

Model input data	**for the first reference period, to be delivered in 2017** (i)	**for the second reference period, to be delivered in 2018** (i)	**for the third reference period, to be delivered in 2019** (i)
Share price at grant date	3.2	3.2	3.2
Exercise price	2.88	2.88	2.88
Expected volatility	38.81%	40.83%	46.09%
Option life	1.5 years	2.5 years	3.5 years
Dividend income	0.00%	0.00%	0.00%
Risk-free interest rate	1.34%	1.47%	1.64%

(all amounts in PLN thousand)

Changes in the value of allotted warrants:

	Number of warrants	Weighted average exercise price (PLN)
As of January 1st 2018	**750,000**	**2.88**
Warrants granted in current period	550,000	2.88
Warrants exercised in current period	(675,000)	2.88
Warrants waived in current period	(130,000)	2.88
As at December 31st 2018	**495,000**	**2.88**
As of January 1st 2019	**495,000**	**2.88**
Warrants granted in current period	-	2.88
Warrants exercised in current period	(495,000)	2.88
Warrants waived in current period	-	2.88
As at December 31st 2019	**-**	**2.88**

At its meeting on April 9th 2019, the parent's Supervisory Board passed a resolution on arrangements for the 2016–2018 Incentive Scheme. In the resolution, the Supervisory Board specified the total number of subscription warrants (495,000) and offered them to Eligible Persons under the Fixed Tranche and Variable Tranche for the third reference period, i.e. from January 1st to December 31st 2018; for details, see Note 19 and Section 1.5 of the Directors' Report on the operations of Auto Partner S.A. and the Auto Partner Group in the period from January 1st to December 31st 2019.

Recognised cost of Incentive Scheme	Period ended December 31st 2019	Period ended December 31st 2018
Administrative expenses	-	(610)
Effect on profit or loss for period	**-**	**(610)**

The third reference period is the last period of the 2016–2018 Incentive Scheme.

31. Related-party transactions

Transactions between the parent and its related parties were eliminated on consolidation and are not presented in this note. Detailed information about transactions between the Group and other related parties is presented below.

(all amounts in PLN thousand)

Transactions with entities with personal links to members of the Management Board and the Supervisory Board; transactions with members of the management boards of subsidiaries

Sales of goods and services and other revenue	**Period ended December 31st 2019**	**Period ended December 31st 2018**
entities related to members of the Management Board and the Supervisory Board	**54**	**56**
including:		
sales of goods	*47*	*55*
recharge of costs	*7*	*1*
members of management boards of subsidiaries	**9**	**6**
including:		
sales of goods	*2*	*3*
recharge of costs	*7*	*3*
Total	**63**	**62**

Purchase of goods and services and other purchases	**Period ended December 31st 2019**	**Period ended December 31st 2018**
entities related to members of the Management Board and the Supervisory Board	**1,130**	**915**
including:		
purchase of services	*1,130*	*915*
members of management boards of subsidiaries	**210**	**212**
including:		
purchase of services	*210*	*212*
Total	**1,340**	**1,127**

Receivables	**As at December 31st 2019**	**As at December 31st 2018**
entities related to members of the Management Board and the Supervisory Board	8	232
of which prepayments for services	-	-
of which finance lease receivables	-	*221*
members of management boards of subsidiaries	1	-
Total	**9**	**232**

Liabilities	**As at December 31st 2019**	**As at December 31st 2018**
entities related to members of the Management Board and the Supervisory Board	78	54
members of management boards of subsidiaries	19	25
Total	**97**	**79**

(all amounts in PLN thousand)

Transactions with and remuneration of members of the Management Board and the Supervisory Board

Sales of goods and services and other revenue	Period ended December 31st 2019	Period ended December 31st 2018
Management Board members	**33**	**34**
including:		
recharge of costs	*33*	*34*
Supervisory Board	**5**	**1**
including:		
sales of goods		*1*
recharge of costs	*5*	*-*
Total	**38**	**35**

Purchase of goods and services and other purchases	Period ended December 31st 2019	Period ended December 31st 2018
Management Board members	**-**	**38**
including:		
purchase of services	*-*	*38*
Supervisory Board	**-**	**-**
including:		
purchase of services	*-*	*-*
Total	**-**	**38**

Receivables	As at December 31st 2019	As at December 31st 2018
Management Board members	6	124
Supervisory Board	-	-
Total	**6**	**124**

Liabilities	As at December 31st 2019	As at December 31st 2018
Management Board members	-	-
Supervisory Board	-	-
Total	**-**	**-**

Remuneration	Period ended December 31st 2019	Period ended December 31st 2018
Management Board members	**3,487**	**1,432**
including benefits under Incentive Scheme (i), Note 30	*-*	*542*
including accrued provision for remuneration under Incentive Scheme (ii), Note 22	*2,554*	*-*
Supervisory Board	**80**	**80**
Total	**3,567**	**1,512**

(i) Incentive Scheme for 2016–2018;

(all amounts in PLN thousand)

(ii) Incentive Scheme for 2019–2021. On April 9th 2019, by Resolution No 14, the Supervisory Board adopted the Rules of the 2019–2021 Incentive Scheme for members of the Auto Partner S.A. Management Board. The purpose of the Scheme is to establish an incentive mechanism that will ensure long-term growth of the shareholder value, reduce turnover of the Company's management staff, and put in place a system whereby members of the Management Board would be rewarded for their contribution to the growth of the Company's value. The Incentive Scheme is addressed to members of the Management Board: Andrzej Manowski, Piotr Janta and Michał Breguła. However, the mandate of Michał Breguła expired on September 7th 2019, i.e. during the reference period. The total amount of bonuses to be paid in accordance with the Rules will not exceed PLN 5,360,000.00 during the term of the Scheme, i.e. from 2019 to 2021. On May 30th 2019, the General Meeting of Maxgear Sp. z o.o. approved the Rules of the Incentive Scheme for members of the Management Board of Maxgear Sp. z o.o.: Grzegorz Pal and Arkadiusz Cieplak, with the terms corresponding to the terms of the Rules of the Incentive Scheme for members of the Auto Partner S.A. Management Board. The bonuses to be paid under the Rules to members of the Maxgear Sp. z o.o. Management Board will not exceed PLN 2,640,000.00 during the whole term of the Scheme, i.e. from 2019 to 2021. The Supervisory Board of Auto Partner S.A. and the General Meeting of Maxgear Sp. z o.o. defined further details of the Incentive Scheme Rules for members of the Management Boards of Auto Partner S.A. and Maxgear Sp. z o.o. by deciding that the bonuses to be paid to the eligible members of the Management Boards would be calculated on the basis of financial data without taking into account the effect of IFRS 16 (Leases) with regard to contracts that are classified as finance leases under IFRS 16 but were not treated as finance leases under IAS 17, i.e.:
– depreciation adjusted for depreciation under contracts classified as finance leases under IFRS 16 since January 1st 2019, which were not classified as finance leases under IAS 17;

– lease liabilities adjusted for the amount of lease liabilities under contracts classified as finance leases under IFRS 16 since January 1st 2019, which were not classified as finance leases under IAS 17;

– EBIT adjusted for the effect of taking to profit or loss of the costs related to contracts classified as finance leases under IFRS 16 since January 1st 2019, which were not classified as finance leases under IAS 17.

Borrowings from members of the Management Board, Supervisory Board and shareholders

Loans	As at December 31st 2019	As at December 31st 2018
Borrowing from shareholder who is also member of the Management Board (Note 21)	28,035	28,035
Total	**28,035**	**28,035**

Finance costs	Period ended December 31st 2019	Period ended December 31st 2018
Interest expense recognised	(1,335)	(1,335)
Total	**(1,335)**	**(1,335)**

32. Contingent liabilities, future contract liabilities, sureties issued and received, and contingent assets

Sureties and guarantees issued and received

Bank guarantees:

– PLN 2,500 thousand bank guarantee No. KLG46849IN17 of October 3rd 2017, provided in connection with a distribution agreement, valid until September 30th 2020, granted within credit limit of the facility provided by ING Bank Śląski S.A.; see Note 21;

– EUR 597 thousand bank guarantee No. KLG48048IN17 of November 16th 2017, amended on June 13th 2018, provided in connection with lease of property in Bieruń, valid until August 31st 2020, granted within credit limit of the facility provided by ING Bank Śląski S.A.; see Note 21;

– EUR 171 thousand bank guarantee No. KLG38679IN16 of August 24th 2016, provided in connection with lease of property in Pruszków; valid until August 31st 2020, granted within credit limit of the facility provided by ING Bank Śląski S.A.; see Note 21;

– PLN 42 thousand bank guarantee No. KLG57699IN19 of March 1st 2019, provided in connection with commercial property lease contract of February 15th 2019, valid until May 6th 2024, granted within credit limit of the facility provided by ING Bank Śląski S.A.; see Note 21;

– PLN 800 thousand bank guarantee No. DOK3617GWB19KW of October 18th 2019, provided in connection with a distribution agreement, valid until May 31st 2020, granted within credit limit of the facility provided by ING Bank Śląski S.A.; see Note 21.

Contingent assets

The Group has the following contingent assets:

The Group took out insurance of its merchandise against theft, burglary and robbery, as well as insurance against fire and other natural calamities; if any of the insured risks materialise, the Group will receive relevant compensation from the insurer.

The Group took out insurance against the credit risk of some of its domestic and foreign customers. Under the policy, the Group is entitled to compensation for insured and unpaid receivables.

Tax liabilities

The tax regulations in force in Poland are subject to frequent changes, causing significant differences in their interpretation and significant doubts as to their application. The tax authorities have control instruments enabling them to verify the tax bases (in most cases for the preceding five financial years) and to impose penalties and fines. As of July 15th 2016, the Tax Legislation also takes into account the provisions of the General Anti-Abuse Clause (GAAR), which is intended to prevent the creation and use of artificial legal structures designed to avoid taxation. The GAAR clause should be applied both to transactions carried out after its entry into force and to transactions which were carried out before the entry into force of the GAAR clause but whose benefits have been or are still being realised after the date of its entry into force. Consequently, the determination of tax liabilities may require significant judgement, including with respect to transactions that have already taken place, and the amounts of tax expense presented and disclosed in the financial statements may change in the future as a result of audits by the tax authorities.

33. Auditor fees

On March 23rd 2018, the Supervisory Board passed a resolution to appoint Deloitte Audyt Spółka z ograniczoną odpowiedzialnością sp. k., with its registered office at Al. Jana Pawła II 19, Warsaw, Poland, as the auditor to:

(all amounts in PLN thousand)

- review the Company's financial statements and the Group's consolidated financial statements for the six months ended June 30th 2018, 2019, 2020 and 2021;

- audit the Company's full-year financial statements and the Group's full-year consolidated financial statements for 2018, 2019, 2020 and 2021.

The contract was signed on July 30th 2018.

Deloitte Audyt Spółka z ograniczoną odpowiedzialnością Spółka komandytowa has been entered in the list of qualified auditors of financial statements maintained by the National Chamber of Statutory Auditors under Reg. No. 73 since February 7th 1995.

VAT-exclusive auditor fees for auditing the Group's financial statements in 2018 and 2019:

	Period ended December 31st 2019	**Period ended December 31st 2018**
Audit of full-year financial statements	128,000	128,000
Review of financial statements	58,000	58,000
Total remuneration of the auditor	**186,000**	**186,000**

34. Headcount at the Group

	As at December 31st 2018	**As at December 31st 2018**
Management and administration	170	170
Sales and marketing	667	568
Logistics and storage	807	639
Total (persons)	**1,644**	**1,377**

35. Events subsequent to the reporting date

On January 21st 2020, Annex No. 2 to bank guarantee No. KLG48048IN17, issued by ING Bank Śląski S.A. on November 16th 2017 in respect of lease of property in Bieruń, was signed, amending the guarantee amount to EUR 652 thousand.

On January 27th 2020, Annex No. 1/20 to credit facility agreement No. 11/145/19/Z/VV with mBank S.A. was signed, whereby the overdraft limit was increased to PLN 25m.

On March 6th 2020, factoring agreement No. 3764/6219/2019 executed with Santander Faktoring Sp. z o.o. on September 18th 2019 was terminated.

On March 20th 2020, Annex No. 2 to reverse factoring agreement No. 3662/6050/2019 with Santander Factoring Sp. z o.o. was signed. Under the Annex, the reverse factoring limit was reduced to PLN 10m, and its term was changed to March 31st 2021.

On March 23rd 2020, Annex No. 007 to multi-line agreement No. K00922/16 with Santander Bank Polska S.A. was signed, whereby the multi-line availability period was extended until March 31st 2023, and the multi-line limit was increased to PLN 30m (the credit limit was raised to PLN 30m).

36. Events subsequent to the reporting date – impact of the coronavirus epidemic on the Group's operations

Given the current situation related to the spread of the COVID-19 epidemic worldwide, the Company identifies the following as the key risks that will have an impact on the Group's financial performance in the coming periods:

- Risk of reduced purchasing power of consumers and a decrease in consumers' mobility as a result of measures designed to limit travel;
- Risk of obstacles at country borders, which may affect transport to foreign customers.

As at the date of issue of these financial statements, the Company identified significant impediments to conducting effective export sales due to the lockdown and trading restrictions in countries such as Austria, Croatia, Slovenia or France. Other export markets, as well as Poland, are also seeing demand declines, which will affect the Group's results.

However, the Issuer emphasises that, given the rapidly changing circumstances, the legal situation and regulations of the national governments related to the spread of the epidemic, the Group is not able to reliably estimate the extent of its impact on the Group's operating and financial condition as at the date of issue of this report.

At present, the Company has not identified any significant risks other than those specified above. In particular, as at the date of issue of these financial statements, the Company did not identify any credit or liquidity risks, or risks related to the availability of financing or breach of financial covenants. The Company's financial condition is stable, with cash and available credit limits providing a safety buffer. In the medium and long term, depending on how the situation develops, the Company, in consultation with the financing banks, will adjust the credit limits to the current needs and the value of the collateral it may provide. Operating decisions will also be taken on an ongoing basis, including in relation to operating costs, to maintain an appropriate level of profitability and thus meet the financial covenants provided for in the agreements with banks.

As at the date of issue of this report, the Company did not identify any risks related to the valuation of non-financial assets (in particular inventories) or the delivery of purchased goods. There were no significant delays in deliveries or problems in placing or executing orders.

The management of the Group believes that the situation described above does not require any adjustments to the financial statements for 2019, and does not pose any threat to the Group continuing as a going concern, and therefore these financial statements were prepared on the assumption that the Group will continue as a going concern for at least 12 months from the reporting date.

37. Authorisation of the full-year consolidated financial statements for issue

The Group's full-year consolidated financial statements were authorised for issue by the Management Board on April 6th 2020.

Aleksander Górecki – President of the Management Board

Andrzej Manowski – Vice President of the Management Board

Piotr Janta – Vice President of the Management Board

Kamila Obłodecka-Pieńkosz – Chief Accountant