Consolidated financial statements for the year ended December 31st 2020, prepared in accordance with International Financial Reporting Standards endorsed by the European Union

AUTOPARTNER™

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(all amounts in PLN thousand)

Consolidated statement of profit or loss and statement of other comprehensive income

	Note	period ended December 31st 2020	period ended December 31st 2019
Revenue	5	1,670,441	1,479,373
Cost of sales	6	(1,193,562)	(1,092,473)
Gross profit (loss)		**476,879**	**386,900**
Distribution costs and marketing expenses	6	(185,339)	(172,587)
Warehousing (logistics) costs	6	(110,223)	(101,429)
Management and administrative expenses	6	(29,313)	(25,060)
Other gains (losses), net	7	(1,624)	(3,636)
Other income		624	337
Other expenses		(722)	(750)
Operating profit (loss)		**150,282**	**83,775**
Finance income	8	153	256
Finance costs	9	(12,092)	(9,795)
Profit (loss) before tax		**138,343**	**74,236**
Income tax	10.1	(27,361)	(15,522)
Net profit (loss)		**110,982**	**58,714**
Translation reserve		(252)	(18)
Other comprehensive income subject to reclassification to profit or loss		**(252)**	**(18)**
Other comprehensive income, net		**(252)**	**(18)**
TOTAL COMPREHENSIVE INCOME		**110,730**	**58,696**
Net profit (loss) attributable to:			
Owners of the parent		110,982	58,714
Non-controlling interests		-	-
Total comprehensive income attributable to:			
Owners of the parent		110,730	58,696
Non-controlling interests		-	-
Earnings (loss) per share (PLN per share)			
From continuing operations:			
Basic	11	0.85	0.45
Diluted	11	0.85	0.45

(all amounts in PLN thousand)

Consolidated statement of financial position

	Note	As at December 31st 2020	As at December 31st 2019
ASSETS			
Non-current assets			
Intangible assets	13	12,726	7,897
Property, plant and equipment	12	132,257	125,953
Investments in other entities	14	110	110
Other long-term receivables	17	2,043	1,896
Other non-current financial assets	15	30	37
Deferred tax assets		-	-
Total non-current assets		**147,166**	**135,893**
Current assets			
Inventories	16.1	481,441	460,584
Right-of-return assets	16.2	10,211	7,528
Trade and other receivables	17	129,751	118,477
Other financial assets	15	7	30
Current tax assets	10.2	-	150
Cash and cash equivalents	25	21,377	25,947
Total current assets		**642,787**	**612,716**
Total assets		**789,953**	**748,609**
EQUITY AND LIABILITIES			
Equity			
Share capital issued	18	13,062	13,062
Share premium	19	106,299	106,299
Other capital reserves	19	1,811	2,063
Retained earnings	19	361,755	250,773
Equity attributable to owners of the parent		**482,927**	**372,197**
Equity attributable to non-controlling interests		-	-
Total equity		**482,927**	**372,197**
Non-current liabilities			
Long-term borrowings	20	26,730	90,319
Lease liabilities	23	56,893	60,724
Employee benefit obligations and provisions	26	2,298	1,196
Long-term provisions	21	-	-
Deferred tax liability	10.5	5,005	4,174
Total non-current liabilities		**90,926**	**156,413**
Current liabilities			
Trade and other payables	22.1	90,689	82,844
Contract and right-of-return liabilities	22.2	13,215	9,778
Short-term borrowings	20	76,597	83,582
Lease liabilities	23	26,706	21,818
Reverse factoring liabilities	24.1	-	14,370
Factoring liabilities	24.2	-	3,550
Current tax liability	10.2	1,413	-
Employee benefit obligations and provisions	26	6,785	3,499
Short-term provisions	21	695	558
Total current liabilities		**216,100**	**219,999**
Total liabilities		**307,026**	**376,412**
Total equity and liabilities		**789,953**	**748,609**

(all amounts in PLN thousand)

Consolidated statement of cash flows

	Note	period ended December 31st 2020	period ended December 31st 2019
Cash flows from operating activities			
Profit before tax		**138,343**	**74,236**
Adjustments:			
Depreciation and amortisation		23,505	20,084
Foreign exchange gains/losses		3,208	(94)
Adjustments for gains/losses on sale of non-current assets		87	235
Other adjustments with cash flows from financing or investing activities		420	(19)
Finance costs recognised in profit or loss		7,635	9,616
Other adjustments		(12)	(12)
Change in inventories		(20,857)	(26,104)
Change in right-of-return assets		(2,683)	(2,433)
Change in trade and other receivables		(11,391)	(25,841)
Change in trade and other payables		6,652	(25,912)
Change in contract and right-of-return liabilities		3,437	2,985
Change in employee benefit obligations and provisions		4,524	3,149
Cash from operating activities		**152,868**	**29,890**
Income tax paid		(24,966)	(14,553)
Net cash from operating activities		**127,902**	**15,337**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(9,987)	(13,359)
Disposal of property, plant and equipment and intangible assets		97	105
Loans		-	(115)
Repayment of loans		30	59
Receipts from finance lease		9	199
Interest received		8	21
Receipts from forward contracts		8	-
Payments for forward contracts		(436)	-
Net cash from investing activities		**(10,271)**	**(13,090)**
Cash flows from financing activities			
Proceeds from issue of shares		-	980
Expenses related to issue of shares		-	(38)
Dividend paid		-	(2,603)
Borrowings received		-	15,024
Borrowings repaid		(71,244)	-
Proceeds from financing – reverse factoring		-	14,375
Proceeds from financing – factoring		-	3,574
Repayment of financing – reverse factoring		(14,729)	-
Repayment of financing – factoring		(3,618)	-
Payments under finance lease contracts		(25,150)	(19,990)
Interest and commissions paid		(7,631)	(9,469)
Net cash from financing activities		**(122,372)**	**1,853**
Total net cash flows		**(4,741)**	**4,100**
Cash and cash equivalents at beginning of period		25,947	21,913
Effect of exchange rate movements on net cash in foreign currencies		171	(66)
Cash and cash equivalents at end of period	25	**21,206**	**26,013**

(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
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**
As at December 31st 2019	**13,062**	**2,103**	**106,299**	**250,773**	**(40)**	**372,197**	**-**	**372,197**
Net profit for period				110,982		**110,982**	-	**110,982**
Other comprehensive income for period, net					(252)	**(252)**	-	**(252)**
Total comprehensive income	**-**	**-**	**-**	**110,982**	**(252)**	**110,730**	**-**	**110,730**
Dividend paid				-		**-**	-	**-**
Issue of ordinary shares						**-**	-	**-**
As at December 31st 2020	**13,062**	**2,103**	**106,299**	**361,755**	**(292)**	**482,927**	**-**	**482,927**

Notes to the consolidated financial statements

1. General information

The Parent

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

Name of the reporting entity or other identification data: Auto Partner S.A.

Explanation of changes in the name of the reporting entity or other identification data that have occurred since the end of the previous reporting period: not applicable

Registered office: ul. Ekonomiczna 20, 43-150 Bieruń, Poland

Legal form: Joint stock company (*spółka akcyjna*)

Country of registration: Poland

Address of the registered office: ul. Ekonomiczna 20, 43-100 Bieruń, Poland

Principal place of business: Poland

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.

Name of the higher level parent: none

Name of the ultimate parent of the group: none

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,
Bogumił Woźny – Deputy Chairman of the Supervisory Board,
Andrzej Urban – 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

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 2020 is presented below.

(all amounts in PLN thousand)

The share capital consists of:	number of shares	par value per share	amount of share capital
Series A ordinary bearer shares	1,000	PLN 0.10	PLN 100.00
Series B ordinary bearer shares	111,110	PLN 0.10	PLN 11,111.00
Series C ordinary bearer shares	160,386	PLN 0.10	PLN 16,038.60
Series D ordinary bearer shares	48,319,769	PLN 0.10	PLN 4,831,976.90
Series E ordinary bearer shares	39,964,295	PLN 0.10	PLN 3,996,429.50
Series F ordinary bearer shares	4,444,440	PLN 0.10	PLN 444,444.00
Series G ordinary bearer shares	999,000	PLN 0.10	PLN 99,900.00
Series H ordinary bearer shares	23,000,000	PLN 0.10	PLN 2,300,000.00
Series I ordinary bearer shares	2,070,000	PLN 0.10	PLN 207,000.00
Series J ordinary bearer shares	11,550,000	PLN 0.10	PLN 1,155,000.00
Total	**130,620,000**		**PLN 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 14.

All the companies comprising in the Group have been established for indefinite time. 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 activity 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 and presentation changes

2.1. Changes in accounting policies

The Group did not change its accounting policy.

2.2. Presentation changes

In order to present the Group's financial position in a reliable and faithful manner, the Group's Management Board changed the

1) presentation of estimates of trade discounts due from suppliers. Before the change, the estimated value of trade discounts from suppliers was presented in the statement of financial position under trade and other payables as a reduction in trade payables. After the change, the estimated amount of trade discounts from suppliers is presented in the statement of financial position under trade and other payables as a decrease in trade payables up to the balance of payables to the supplier as at the reporting date, while the surplus is presented under trade and other receivables as an increase in trade receivables from the supplier. Below is presented the effect of the presentation change in the statement of financial position as at December 31st 2019 and in the statement of cash flows for the period ended December 31st 2019.

2) Change in the presentation of the provision for obligations under the Incentive Scheme in the statement of financial position. Before the change, the provision was presented under long-term and short-term provisions, aggregated with other provisions. After the change, the provision is presented in the statement of financial position under long-term and short-term employee benefit obligations and provisions.

(all amounts in PLN thousand)

Statements of financial position	As at December 31st 2019	change	As at December 31st 2019
	before		after
Current assets			
Trade and other receivables	101,394	17,083	118,477
Total current assets	**595,633**	**17,083**	**612,716**
Total assets	**731,526**	**17,083**	**748,609**
Non-current liabilities			
Employee benefit obligations and provisions	430	766	1,196
Long-term provisions	766	(766)	-
Total non-current liabilities	**156,413**	**-**	**156,413**
Current liabilities			
Trade and other payables	65,761	17,083	82,844
Employee benefit obligations and provisions	1,711	1,788	3,499
Short-term provisions	2,346	(1,788)	558
Total current liabilities	**202,916**	**17,083**	**219,999**
Total liabilities	**359,329**	**17,083**	**376,412**
Total equity and liabilities	**731,526**	**17,083**	**748,609**

Statement of cash flows	Period ended December 31st 2019	change	Period ended December 31st 2019
	before		after
Change in trade and other receivables	(19,980)	(5,861)	(25,841)
Change in trade and other payables	(31,773)	5,861	(25,912)
Cash from operating activities	**29,890**	**-**	**29,890**
Net cash from operating activities	**15,337**	**-**	**15,337**

3. Statement of accounting policies

3.1. Statement of compliance

These full-year consolidated financial statements (the “consolidated financial statements”) of the Group for the period January 1st 2020 to December 31st 2020 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 2020. 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 2019.

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 standards and interpretations in 2020

The following amendments to existing standards issued by the International Accounting Standards Board (IASB) and endorsed by the EU have been applied for the first time in 2020:

- **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 3 *Business Combinations − Definition of a Business***, endorsed by the EU on April 21st 2020 and applicable to 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 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 IFRS 16 *Leases: Covid-19-Related Rent Concessions*** (endorsed by the EU on October 9th 2020 and effective on or before June 1st 2020 for the financial year 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.

The amendments listed above have not had a material effect on the financial statements.

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 IFRS 4 *Insurance Contracts*: *Extension of the Temporary Exemption from Applying IFRS 9***, endorsed by the EU on December 16th 2020 (the expiry date of the temporary exemption from IFRS 9 was extended from January 1st 2021 for annual periods beginning on or after January 1st 2023),
- **Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts*, and IFRS 16 *Leases*** *– Interest Rate Benchmark Reform* – Phase II, endorsed by the EU on January 13th 2021 (effective for annual periods beginning on or after January 1st 2021).

New standards and amendments to existing standards issued by the IASB, but not yet endorsed by the EU : there are no significant differences between the IFRSs 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 final version of the standards):

- **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,
- **IFRS 17 *Insurance Contracts*** as amended, effective for annual periods beginning on or after January 1st 2023,
- **Amendments to IAS 1 *Presentation of Financial Statements – Disclosure of Accounting Policies*** (effective for annual periods beginning on or after January 1st 2023),
- **Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors – Disclosures of applied accounting policies*** (effective for annual periods beginning on or after January 1st 2023),
- **Amendments to IAS 16 *Property, Plant and Equipment – Proceeds Before Intended Use***, effective for annual periods beginning on or after January 1st 2022,
- **Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract***, effective for annual periods beginning on or after January 1st 2022,
- **Amendments to IFRS 3 *Business Combinations − Reference to the Conceptual Framework (Amendments to IFRS 3)***, effective for annual periods beginning on or after January 1st 2022,
- **Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures: Sales or Contributions 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.
- **Amendments to various standards provided for in Annual Improvements to IFRS Standards 2018-2020 Cycle** – amendments made as part of the annual IFRS improvements process (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily to correct conflicts and clarify wording (amendments to IFRS 1, IFRS 9 and IAS 41), effective for annual periods beginning on or after January 1st 2022.

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 at the end of the current period.

3.3. 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.

3.4. Seasonality

The sale of spare parts and accessories, which constitutes the principal business activity 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 the amount of liabilities in the second and third quarters.

3.5. Functional and reporting currency

These consolidated financial statements have been prepared in the Polish złoty (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 have been applied to translate financial data for the purpose of consolidating the financial statements of foreign subsidiaries.

Items of the statement of financial position have been 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 2020**	**December 31st 2019**
EUR	4.6148	4.2585
CZK	0.1753	0.1676
RON	0.9479	0.8901

Items of the statement of profit or loss and comprehensive income have been 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	**2020**	**2019**
EUR	4.4742	4.3018
CZK	0.1687	0.1676
RON	0.9239	0.9053

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

3.6. Significant accounting policies

<u>*Basis of consolidation*</u>

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, the 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 lease contract are depreciated over their expected period of economic use 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, copyrights (economic rights) and 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.

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 defines as short-term leases 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. Costs of some of the space lease contracts are re-charged to the cooperating affiliates.

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

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 recoverability 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.

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 realisable 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 and deposits. 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 25.

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.

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. Contingent liabilities are disclosed in the financial statements.

Contingent assets

In accordance with IAS 37, the Group does not recognise contingent assets. Contingent assets are disclosed in the financial statements.

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

As a right-of-return liability, the Group discloses the amount of revenue reduction arising from the estimated right to return goods transferred together with the sale. 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 the currency risk. These include forward contracts and currency options. Derivative instruments are initially recognised at cost as at contract date, and subsequently they are measured 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.

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: is recognised when the service is provided. 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.

Discontinued operations:

The Group did not discontinue any of its operations in the current and previous reporting periods.

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.

(all amounts in PLN thousand)

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 inventory 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

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

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 recoverability 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 2020	Period ended December 31st 2019
Revenue from sale of merchandise	**1,668,226**	**1,477,124**
including:		
Sales of merchandise – Poland	*962,019*	*908,562*
Sales of merchandise – EU	*698,104*	*548,613*
Sales of merchandise – other exports	*8,103*	*19,949*
Revenue from rendering of services	**2,215**	**2,249**
including:		

Sales of services – Poland	*1,313*	*1,503*
Sales of services – EU	*902*	*746*
Rendering of services – other exports	-	-
Total revenue	**1,670,441**	**1,479,373**

6. Costs by nature and function of expense

	Period ended December 31st 2020	Period ended December 31st 2019
Depreciation and amortisation	(23,505)	(20,084)
Raw materials and consumables used	(14,202)	(13,619)
Services	(160,391)	(145,575)
Taxes and charges	(2,196)	(3,315)
Employee benefits expense	(115,757)	(102,959)
Other costs by nature of expense	(8,824)	(13,665)
Merchandise and materials sold	(1,193,562)	(1,092,332)
Total costs by nature of expense	**(1,518,437)**	**(1,391,549)**
Cost of sales	(1,193,562)	(1,092,473)
Distribution costs and marketing expenses	(185,339)	(172,587)
Warehousing (logistics) costs	(110,223)	(101,429)
Management and administrative expenses	(29,313)	(25,060)
Total costs by function of expense	**(1,518,437)**	**(1,391,549)**

7. Other gains (losses), net

	Period ended December 31st 2020	Period ended December 31st 2019
Foreign exchange gains or losses on operating activities – unrealised	1,225	(341)
Foreign exchange gains or losses on operating activities – realised	(1,702)	(1,311)
Gains/losses on impairment of receivables	(1,391)	(2,070)
Other	244	86
Other gains (losses) net	**(1,624)**	**(3,636)**

8. Finance income

	Period ended December 31st 2020	Period ended December 31st 2019
Gains on realised currency forward contracts measured at fair value through profit or loss	8	-
Gains on measurement of currency forward contract assets and liabilities measured at fair value through profit or loss	-	-
Foreign exchange gains on financing activities – unrealised	-	160
Foreign exchange gains on financing activities – realised	12	2
Interest on trade receivables	60	74
Other finance income	73	20
Total finance income	**153**	**256**

(all amounts in PLN thousand)

9. Finance costs

	Period ended December 31st 2020	Period ended December 31st 2019
Interest expense:		
Interest on term and overdraft facilities	(1,912)	(3,576)
Interest on non-bank borrowings from related entities	(1,335)	(1,335)
Interest on lease liabilities (other leases)	(2,218)	(2,237)
Interest on lease liabilities (office and warehouse space leases)	(1,208)	(1,277)
Interest on factoring liabilities	(91)	(179)
Other interest expense	(11)	(61)
	(6,775)	(8,665)
Other finance costs:		
Losses on realised currency forward contracts measured at fair value through profit or loss	(436)	-
Losses on measurement of currency forward contract assets and liabilities measured at fair value through profit or loss	-	-
Foreign exchange losses on financing activities – unrealised	(2,641)	(26)
Foreign exchange losses on financing activities – realised	(1,323)	(43)
Credit commissions and fees	(795)	(835)
Factoring commissions and fees	(102)	(193)
Other finance costs	(20)	(33)
	(5,317)	(1,130)
Total finance costs	**(12,092)**	**(9,795)**

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 2020	Period ended December 31st 2019
Profit before tax	**138,343**	**74,236**
Income tax at 19%	(26,285)	(14,105)
Tax effect – temporary and permanent differences	(1,076)	(1,417)
Adjustment to income tax for previous years	-	-
Total income tax	**(27,361)**	**(15,522)**
including:		
Current income tax:		
For current year	(26,497)	(14,134)
For previous years	(33)	(115)
	(26,530)	(14,249)
Deferred income tax:		
For current year	(831)	(1,273)
Deferred tax transferred from equity to profit or loss	-	-
	(831)	(1,273)
	(27,361)	**(15,522)**

(all amounts in PLN thousand)

10.2. Current tax assets and liabilities

Current tax assets and liabilities

	As at December 31st 2020	As at December 31st 2019
Current tax assets		
Income tax receivable	-	150
	-	**150**
Current tax liability		
Income tax payable	1,413	-
	1,413	**-**

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.

10.5. Deferred tax

(all amounts in PLN thousand)

Deferred tax assets and liabilities:

	as at December 31st 2020	as at December 31st 2019
Deferred tax assets	15,668	13,639
Deferred tax liability	(20,673)	(17,813)
Total	**(5,005)**	**(4,174)**

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

	As at December 31st 2019	Recognised in profit or loss for 2020	As at December 31st 2020
Deferred tax assets			
Difference arising from rebate assets and inventory discounts	4,387	477	4,864
Difference arising from contracts with customers	1,402	8	1,410
Difference arising from returns after reporting date	361	143	504
Merchandise write-down	1,512	(166)	1,346
Impairment loss on receivables	1,038	8	1,046
Provision for employee benefit obligations	407	581	988
Other provisions	604	316	920
Difference arising from social security contributions and employee capital plans	530	39	569
Elimination of margins on consolidation	2,718	841	3,559
Asset on tax loss of subsidiary	935	259	1,194
Reversal of asset on tax loss of subsidiary	(559)	(369)	(928)
Difference arising from outstanding interest on non-bank borrowing	253	1	254
Other temporary differences	51	(109)	(58)
Total	**13,639**	**2,029**	**15,668**
Deferred tax liabilities			
Difference arising from property, plant and equipment and lease liabilities	(5,996)	(1,376)	(7,372)
Discounts/bonuses from suppliers	(11,693)	(1,352)	(13,045)
Other temporary differences	(124)	(132)	(256)
Total	**(17,813)**	**(2,860)**	**(20,673)**
Total deferred tax asset (liability)	**(4,174)**	**(831)**	**(5,005)**
Unrealised tax losses and other tax credits			
Tax losses	-	-	-
Tax credits	-	-	-
Other	-	-	-
Total deferred tax asset (liability)	**(4,174)**	**(831)**	**(5,005)**

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 or reversed:

	As at December 31st 2019	Recognised in profit or loss for 2020	As at December 31st 2020
As at the reporting date, the following deferred tax assets were not recognised:			
- unused tax losses at subsidiary	559	369	928
- unused tax credits	-	-	-
- inventory write-downs recognised/reversed	47	190	237
Total	**606**	**559**	**1,165**

11. Earnings per share

	Period ended December 31st 2020	Period ended December 31st 2019
Net profit attributable to owners	110,982	58,714
Weighted average number of shares (thousand)	130,062	130,342
Earnings per share (PLN)	**0.85**	**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. Property, plant and equipment

	As at December 31st 2020	As at December 31st 2019
Land	-	-
Buildings and structures	45,253	48,889
Machinery and equipment	35,781	30,819
Vehicles	10,287	11,515
Other	35,507	33,687
Property, plant and equipment under construction	5,429	1,043
Total carrying amount of property, plant and equipment	**132,257**	**125,953**

In the statement of financial position, the Group presents right-of-use assets (lease 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 2020	As at December 31st 2019
Buildings and structures	43,063	46,852
Machinery and equipment	23,451	18,121
Vehicles	6,497	7,743
Other	20,747	19,122
Property, plant and equipment under construction (i)	3,524	679
Total carrying amount of property, plant and equipment under right-of-use arrangements	**97,282**	**92,517**

(all amounts in PLN thousand)

-	Period ended December 31st 2020	Period ended December 31st 2019
Buildings and structures	11,459	9,789
Machinery and equipment	3,280	1,901
Vehicles	1,114	1,134
Other	1,110	846
Total depreciation of property, plant and equipment under right-of-use arrangements	**16,963**	**13,670**

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

As at December 31st 2019, the net carrying amount of property, plant and equipment financed with a borrowing (Note 20) was PLN 74 thousand (December 31st 2020: PLN 45 thousand), and was secured with the lender's rights.

(i) Leased property, plant and equipment under construction include lease contract assets not yet commissioned at end of period.

Movements in property, plant and equipment	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 2019	**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**

(all amounts in PLN thousand)

Increase						
Purchase	475	1,697	-	1,343	1,594	**5,109**
Accounting for property, plant and equipment under construction – purchase	-	45	-	2	(47)	**-**
Leases	7,826	8,828	956	2,487	3,524	**23,621**
Accounting for property, plant and equipment under construction – leases	-	139	-	541	(680)	**-**
Other	-	-	-	-	(5)	**(5)**
Decrease						
Disposal	-	(49)	(106)	(204)	-	**(359)**
Liquidation	-	(42)	(36)	(1)	-	**(79)**
Other	(152)	(2)	(535)	(1)	-	**(690)**
Gross carrying amount as at December 31st 2020	**68,142**	**56,394**	**18,777**	**46,710**	**5,429**	**195,452**
Accumulated depreciation as at January 1st 2019	**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)**
Other	-	-	(12)	-	-	**(12)**
Accumulated depreciation as at December 31st 2019	**11,104**	**14,959**	**6,983**	**8,856**	**-**	**41,902**
Depreciation in period	11,785	5,742	1,815	2,497	-	**21,839**
Disposal	-	(47)	(82)	(150)	-	**(279)**
Liquidation	-	(41)	(15)	-	-	**(56)**
Other	-	-	(211)	-	-	**(211)**
Accumulated depreciation as at December 31st 2020	22,889	20,613	8,490	11,203	-	63,195
Net carrying amount as at December 31st 2019	**48,889**	**30,819**	**11,515**	**33,687**	**1,043**	**125,953**
Net carrying amount as at December 31st 2020	**45,253**	**35,781**	**10,287**	**35,507**	**5,429**	**132,257**

13. Intangible assets

-	**As at December 31st 2020**	**As at December 31st 2019**
Software	7,135	4,656
Other intangible assets	-	-
Intangible assets under development	5,591	3,241
Total carrying amount of intangible assets	**12,726**	**7,897**

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

-	**As at December 31st 2020**	**As at December 31st 2019**
Software	644	368
Other intangible assets	-	-
Intangible assets under development	-	-
Total carrying amount of right-of-use intangible assets	**644**	**368**

(all amounts in PLN thousand)

-	Period ended December 31st 2020	Period ended December 31st 2019
Software	133	85
Other intangible assets	-	-
Total amortisation of right-of-use intangible assets	**133**	**85**

Movements in intangible assets	Software	Other intangible assets	Intangible assets under development	Total
Gross carrying amount as at January 1st 2019	**14,483**	**336**	**458**	**15,277**
Increase				
Purchase	1,255	-	3,179	**4,434**
Accounting for intangible assets under development – purchase	371	-	(371)	-
Leases	85	-	-	**85**
Accounting for intangible assets under development – leases	-	-	-	-
Other	-	-	(25)	**(25)**
Decrease				
Disposal	-	-	-	-
Liquidation	-	-	-	-
Other	-	-	-	-
Gross carrying amount as at December 31st 2019	**16,194**	**336**	**3,241**	**19,771**
Increase				
Purchase	2,005		4,078	**6,083**
Accounting for intangible assets under development – purchase	1,728		(1,728)	-
Leases	408			**408**
Accounting for intangible assets under development – leases	-	-	-	-
Other	-	-	-	-
Decrease				
Disposal	-	-	-	-
Liquidation	-	-	-	-
Other	-	-	-	-
Gross carrying amount as at December 31st 2020	**20,335**	**336**	**5,591**	**26,262**
Accumulated amortisation as at January 1st 2019	**9,433**	**336**	**-**	**9,769**
Amortisation in period	2,105	-	-	**2,105**
Disposal	-	-	-	-
Liquidation	-	-	-	-
Other	-	-	-	-
Accumulated amortisation as at December 31st 2019	**11,538**	**336**	**-**	**11,874**
Amortisation in period	1,662	-	-	**1,662**
Disposal	-	-	-	-
Liquidation		-	-	-
Other	-	-	-	-
Accumulated amortisation as at December 31st 2020	**13,200**	**336**	**-**	**13,536**
Net carrying amount as at December 31st 2019	**4,656**	**-**	**3,241**	**7,897**
Net carrying amount as at December 31st 2020	**7,135**	**-**	**5,591**	**12,726**

(all amounts in PLN thousand)

14. Investments in related and other entities

General information on the entities consolidated using the full method is presented below.

Entity	Principal business	Registered office	% ownership interest As at December 31st 2020	% ownership interest As at December 31st 2019
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 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%

*) 99% of the voting rights are held by Auto Partner S.A. as a limited partner; 1% of the voting rights are held by the general partner, in which Auto Partner S.A. holds 100% of the voting rights.

Investments in other entities

	As at December 31st 2020	As at December 31st 2019
Shares in other entities	110	110
Impairment losses on investments	-	-
Total	**110**	**110**

15. Other financial assets

	As at December 31st 2020	As at December 31st 2019
Loans measured at amortised cost		
Loans to related entities	-	-
Loans to other entities	37	67
Total	**37**	**67**
Long-term	30	37
Short-term	7	30
Total	**37**	**67**

There were no financial assets measured at fair value through profit or loss.

16. Inventories and right-of-return assets

16.1. 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.

(all amounts in PLN thousand)

	As at December 31st 2020	As at December 31st 2019
Merchandise	489,093	469,459
Write-downs	(7,652)	(8,875)
Total	**481,441**	**460,584**

Inventories pledged as security

The Group created a registered pledge over inventories as security for bank borrowings; for details, see Note 20. The amount of liabilities secured with the pledge is presented below.

-	As at December 31st 2020	As at December 31st 2019
Liabilities secured with pledge on inventories	66,809	145,792

Under purchase contracts concluded with certain suppliers, 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 a security for the Group's trade payables.

Change in inventory write-downs

-	Period ended December 31st 2020	Period ended December 31st 2019
At beginning of period	8,875	9,803
Decrease	(4,888)	(5,424)
Increase	3,665	4,496
As at end of period	**7,652**	**8,875**

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 of inferior quality or damaged.

Recognised inventory cost

-	Period ended December 31st 2020	Period ended December 31st 2019
Cost of sales	(1,193,562)	(1,092,332)
Warehousing (logistics) costs	-	-
Distribution costs	(5,051)	(4,116)
Management and administrative expenses	-	-
Total inventory cost recognised	**(1,198,613)**	**(1,096,448)**

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

(all amounts in PLN thousand)

16.2. 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 2020	As at December 31st 2019
Right-of-return assets	10,211	7,528

17. Trade and other receivables

	As at December 31st 2020	As at December 31st 2019
Trade receivables payable up to 12 months	102,429	96,880
Trade receivables payable in more than 12 months	1,173	1,202
Impairment losses on trade receivables	(4,987)	(5,079)
Total trade receivables	**98,615**	**93,003**
Expected income from participation in Global One purchasing group (i)	13,075	10,138
Write-down of expected income from participation in the Global One purchasing group	(405)	(304)
Finance lease receivables	15	24
Receivables from card system operators	1,067	1,420
Rent deposits receivable (ii)	1,541	1,576
Other financial receivables	1,068	692
Impairment losses on other receivables	(882)	(552)
Total trade and other financial receivables	**114,094**	**105,997**
Prepaid deliveries	4,819	3,590
Receivables on sale of property, plant and equipment	1	8
Prepayments and accrued income	3,014	2,340
VAT tax to be settled in future periods/refunded to bank account	9,537	8,187
Other non-financial receivables	329	251
Total non-financial receivables	**17,700**	**14,376**
Total trade and other receivables	**131,794**	**120,373**
Other long-term receivables	2,043	1,896
Trade and other receivables	129,751	118,477
Total trade and other receivables	**131,794**	**120,373**

(all amounts in PLN thousand)

(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. The allowance was recognised for not past due receivables.

(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, as well as 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. To determine the level of collectability 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.

Trade receivables – past due information	**As at December 31st 2020**	**As at December 31st 2019**
not past due	87,197	71,469
past due 1-30 days	9,022	16,908
past due 31-90 days	1,030	2,341
past due 91-120 days	98	1,049
past due 121-180 days	148	469
past due 181-360 days	830	574
over 360 days	290	193
Total trade receivables	**98,615**	**93,003**

The amount of credit loss allowance by the past due date groups of receivables is presented below.

	As at December 31st 2020	**As at December 31st 2019**
not past due	157	130
past due 1-30 days	29	57
past due 31-90 days	79	130
past due 91-120 days	25	84
past due 121-180 days	37	108
past due 181-360 days	435	1,385
over 360 days	4,225	3,185
Total impairment losses on trade receivables	**4,987**	**5,079**

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

	Period ended December 31st 2020	**Period ended December 31st 2019**
At beginning of period	552	621
Increase	438	127
Decrease	(108)	(196)
As at end of period	**882**	**552**

(all amounts in PLN thousand)

Trade and other receivables pledged as security

Trade receivables are pledged as security for credit facilities; for details, see Note 20. The amount of receivables pledged as security in the reporting periods is presented below.

	As at December 31st 2020	As at December 31st 2019
Receivables pledged as security	51,484	73,892

Finance lease receivables where the Group acts as the financing party

	As at December 31st 2020	As at December 31st 2019
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.	15	24
Total	**15**	**24**
Short-term finance lease receivables	10	8
Long-term finance lease receivables	5	16
Total	**15**	**24**

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

	Minimum lease payments		Present value	
	As at December 31st 2020	As at December 31st 2019	As at December 31st 2020	As at December 31st 2019
Up to 1 year	11	9	10	8
From 2 to 5 years inclusive	6	18	5	16
	17	27	15	24
Unearned finance income	(2)	(3)	n/a	n/a
Present value of minimum lease payments	15	24	0	24
Impairment loss	-	-	-	-
Total	**15**	**24**	**15**	**24**

18. Share capital

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

	As at December 31st 2020	As at December 31st 2019
Fully paid-up share capital	**13,062**	**13,062**
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	2,070	2,070
Series J ordinary bearer shares	11,550	11,550
Total (thousands of shares)	**130,620**	**130,620**
Par value per share	0.10	0.10
Total par value	**13,062**	**13,062**

Acting pursuant to Resolution No. 2 of the Extraordinary General Meeting of Auto Partner S.A of March 17th 2016 on the issue of Series B subscription warrants with pre-emptive rights waived, conditional increase of the Company's share capital with pre-emptive rights waived, launch of an incentive scheme, 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 took 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 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. July 25th 2019 was the first date of trading the shares on the main market of the Warsaw Stock Exchange. Pursuant to Art. 451.2 and Art. 452.1 of the Polish Commercial Companies Code, 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.

On June 4th 2019, the Supervisory Board of the Company, acting at the request of Mr 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. July 25th 2019 was the first date of trading the shares on the main market of the Warsaw Stock Exchange.

19. Equity, retained earnings and distribution of profit

19.1. Equity

	As at December 31st 2020	**As at December 31st 2019**
Share capital issued	13,062	13,062
Share premium	106,299	106,299
Capital from issue of warrants	2,103	2,103
Translation reserve	(292)	(40)
Reserve funds from distribution of profit	250,773	192,059

(all amounts in PLN thousand)

Undistributed profit (loss)	110,982	58,714
Total equity	**482,927**	**372,197**

Capital not available for distribution to shareholders

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 2020	**Period ended December 31st 2019**
Statutory reserve funds created to cover losses in accordance with the Commercial Companies Code	4,354	4,354

19.2. Retained earnings

	As at December 31st 2020	**As at December 31st 2019**
Retained earnings	250,773	194,662
Dividend paid	-	(2,603)
Undistributed profit (loss)	110,982	58,714
Total retained earnings	**361,755**	**250,773**

Changes in retained earnings

	Period ended December 31st 2020	**Period ended December 31st 2019**
Retained earnings at beginning of reporting period	**192,059**	**136,020**
Accounting for profit or loss for previous year	58,714	58,642
Dividend paid	-	(2,603)
Undistributed profit (loss)	110,982	58,714
Retained earnings at end of reporting period	**361,755**	**250,773**

Changes in undistributed profit

	Period ended December 31st 2020	**Period ended December 31st 2019**
Undistributed profit (loss) at beginning of period	**58,714**	**58,642**
Net profit attributable to owners	110,982	58,714
Dividend paid		(2,603)
Transfer to statutory reserve funds	(58,714)	(56,039)

(all amounts in PLN thousand)

Undistributed profit (loss) at end of period	**110,982**	**58,714**

19.3. Profit distribution

Allocation of profit for 2019

The entire net profit for the financial year ended December 31st 2019 was transferred to statutory reserve funds.

Management Board's recommendation on the allocation of the 2020 profit

On March 15th 2021, the Management Board of the Issuer passed a resolution to request the Annual General Meeting to pay dividend for the financial year 2020. Pursuant to the resolution, the Management Board recommends payment of dividend to the Company's shareholders of PLN 13,062,000 (thirteen million, sixty-two thousand złoty), i.e. PLN 0.10 (ten grosz) per share. The balance of the net profit for the financial year 2020 is recommended to be allocated to the Company's statutory reserve funds.

20. Borrowings

	As at December 31st 2020	As at December 31st 2019
Unsecured – at amortised cost		
Borrowings from related entities	28,035	28,035
	28,035	**28,035**
Secured – at amortised cost		
Overdraft facilities	8,438	82,192
Bank borrowings	66,809	63,600
Other borrowings	45	74
	75,292	**145,866**
Total borrowings	**103,327**	**173,901**
Current liabilities (vi)	76,597	83,582
Non-current liabilities	26,730	90,319
Total borrowings	**103,327**	**173,901**

Credit facility agreements and non-bank borrowings:

	As at December 31st 2020	As at December 31st 2019
ING Bank Śląski S.A./working capital facility under multi-product facility agreement/sub-limit facility within multi-product facility limit (i)	8,438	48,873
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
ING Bank Śląski S.A./working capital facility /sub-limit facility within multi-product facility limit (i)	66,809	56,793

(all amounts in PLN thousand)

Santander Bank Polska S.A./working capital facility (ii)	-	18,845
mBank S.A./working capital facility (iii)	-	14,474
Shareholder loan agreements (iv)	28,035	28,035
UniCredit Leasing a.s./facility to finance purchase of property, plant and equipment (v)	45	74
Total	**103,327**	**173,901**

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

On October 19th 2015, the parent and ING Bank Śląski signed multi-facility 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. The amount of the credit limit is PLN 127,785 thousand, repayable by October 16th 2021. The subsidiary has access to a PLN 10m sublimit as part of the credit facility. As at the reporting date, the subsidiary had drawn PLN 8,438 thousand under the limit. The credit facility is secured with: (a) registered pledge over Auto Partner S.A.'s receivables from domestic customers (balance-sheet item), (b) registered pledge over inventories of merchandise (car spare parts) owned by Auto Partner S.A., located at ul. Ekonomiczna 20, in Bieruń, Poland, along with assignment of rights under an insurance policy, (c) declaration on voluntary submission to enforcement by the Company under Art. 777.1.4 of the Code of Civil Procedure on submission to enforcement under Art. 777.1.4 of the Code of Civil Procedure, concerning the obligation to release the pledged assets (merchandise inventories), (d) declaration on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure of up to PLN 194,970 thousand, (e) declaration on voluntary submission to enforcement by Maxgear Sp. z o.o. Sp. z o.o. under Art. 777.1.5 of the Code of Civil Procedure of up to PLN 194,970 thousand, (f) subordination of borrowings obtained from Katarzyna Górecka and Aleksnader Górecki with a total amount of PLN 26,000,000.00.

(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. The amount of the multi-facility is PLN 30,000 thousand, repayable by March 31st 2023. Under the facility, PLN 30m is available for use as an overdraft facility and PLN 10m 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 40m; b) assignment to the lender of receivables under insurance of the pledged assets; c) subordination to claims under the loan provided by Ms Katarzyna Górecka and Aleksander Górecki, with a minimum amount of PLN 26,000,000.00; d) registered pledge over receivables with a minimum amount of PLN 7m; e) the Company's declaration on submission to enforcement under Art. 777.1 of the Code of Civil Procedure.

(iii) Credit facility – mBank S.A.

On October 22nd 2019, the Company and mBank S.A. signed an overdraft facility agreement No. 11/145/19/Z/VV, as amended. The amount of the facility is PLN 25,000,000.00, repayable by September 30th 2022. The credit facility is secured with: (a) a registered pledge over inventories of merchandise with a value of PLN 37,500,000 thousand, (b) assignment of rights under an inventory insurance contract for the pledged inventory, (c) declaration on submission to enforcement by the Company under Art. 777.1.5 of the Code of Civil Procedure, up to PLN 37,500,000 thousand, d) subordination to claims under loan provided by Ms Katarzyna Górecka and Aleksander Górecki, with a minimum amount of PLN 26,000,000.00.

(iv) Shareholder loan

On January 2nd 2014, the parent, Aleksander Górecki and Katarzyna Górecka signed a loan agreement, as amended, with the loan repayable by January 2nd 2024. The borrowing is not secured and bears interest at the rate of 5% per annum. The outstanding principal amount is PLN 26,700,000.00. The carrying amount of the borrowing includes interest accrued in 2020, of PLN 1,335 thousand.

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

(all amounts in PLN thousand)

On August 17th 2017, AP Auto Partner C.Z. s.r.o. signed with UniCredit Leasing a.s. agreements Nos. 1251910740, 1251910741, and 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 contract facility term.

21. Provisions

	As at December 31st 2020	**As at December 31st 2019**
Provisions for warranty repairs (i)	569	382
Other provisions	126	176
	695	558
Short-term provisions	695	558
Long-term provisions	-	-
Total	**695**	**558**

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

22. Trade and other payables

22.1. Trade and other payables

	As at December 31st 2020	**As at December 31st 2019**
Trade payables due in up to 12 months	73,816	68,150
Trade payables due in more than 12 months		-
Taxes, customs duties, social security and other benefits payable	9,650	9,341
Liabilities arising from acquisition of property, plant and equipment and intangible assets	1,453	257
Salaries and wages payable	5,652	5,017
Other liabilities	118	79
	90,689	**82,844**
Current liabilities	90,689	82,844
Non-current liabilities	-	-
Total	**90,689**	**82,844**

The average payment period is 30-40 days. The Group operates a financial risk management policy that ensures timely payment of liabilities.

22.2. Contract and right-of-return liabilities

(all amounts in PLN thousand)

	As at December 31st 2020	As at December 31st 2019
Contract liabilities	351	354
Right-of-return liabilities (i)	12,864	9,424
Total	**13,215**	**9,778**

(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.

23. Financial liabilities under lease contracts

Finance liabilities under lease contracts relate mainly to leases of property, plant and equipment (rent/lease of property, warehouse equipment, vehicles). For more information, see Note 12.

Minimum lease payments	As at December 31st 2020	As at December 31st 2019
Up to 1 year	29,500	25,215
From 1 year to 5 years	53,019	65,267
Over 5 years	7,311	-
	89,830	90,482
Less future finance charges	(6,231)	(7,940)
Present value of minimum lease payments	**83,599**	**82,542**
Current lease liabilities	26,706	21,818
Non-current lease liabilities	56,893	60,724
Total	**83,599**	**82,542**

Present value of minimum lease payments	As at December 31st 2020	As at December 31st 2019
Up to 1 year	26,706	21,818
From 1 year to 5 years	49,961	60,724
Over 5 years	6,932	-
Total	**83,599**	**82,542**

IFRS 16 provides for exceptions to the lessee's general lease model for short-term leases (contract term of less than 12 months) and leases of low-value assets. The Group defines as short-term leases 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 lease contracts are re-charged to the cooperating affiliated companies.

Payments recognised as expenses	Period ended December 31st 2020	Period ended December 31st 2019
Minimum lease payments (i)	7,858	8,491
Contingent lease payments	-	-
Total	**7,858**	**8,491**

(all amounts in PLN thousand)

(i) Including cost of low-value asset leases which was PLN 759 thousand in 2020 (2019: PLN 835 thousand). The cost was expensed in the period on a straight-line basis.

24. Factoring liabilities

24.1. Reverse factoring liabilities

On March 29th 2019, the Group entered into a reverse factoring agreement (later amended) with Santander Faktoring Sp. z o.o.. The reverse factoring limit available under the agreement is PLN 10 million to finance domestic and foreign supplies of merchandise. The agreement is valid until March 31st 2021. Security: blank promissory note with a promissory note declaration; declaration on voluntary submission to enforcement of 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 operated by Santander Bank Polska S.A.

	As at December 31st 2020	As at December 31st 2019
Secured – at amortised cost		
Reverse factoring liabilities	-	14,370
	-	**14,370**
Current liabilities	-	14,370
Non-current liabilities	-	-
Total	**-**	**14,370**

Presentation in the 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.

24.2. Factoring liabilities

On September 18th 2019, the parent entered into a factoring agreement with Santander Faktoring Sp. z o.o., as amended, with a PLN 10 million factoring limit. The agreement term was until March 31st 2020. Security: blank promissory note with a promissory note declaration; irrevocable power of attorney over bank accounts operated by Santander Bank Polska S.A.; selective assignment of claims under an insurance contract. The agreement was a recourse facility. On March 6th 2020, the agreement was terminated by the parent.

	As at December 31st 2020	As at December 31st 2019
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.

(all amounts in PLN thousand)

Presentation in the 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).

25. Structure of cash in the statement of cash flows

	As at December 31st 2020	As at December 31st 2019
Cash in hand	926	1,157
Cash at banks	18,208	22,900
Cash in transit	2,239	1,886
Other cash	4	4
Total cash and cash equivalents in the consolidated statement of financial position	**21,377**	**25,947**
Effect of changes in measurement in foreign currencies on net cash	171	(66)
Total cash and cash equivalents in the consolidated statement of cash flows	**21,206**	**26,013**
in PLN	11,174	6,002
in other currencies (including measurement)	10,203	19,945
Total	**21,377**	**25,947**
including restricted cash - Split Payment accounts	*5569*	*1,338*

26. Employee benefit obligations and provisions, and employee benefit plans

26.1. Employee benefit obligations and provisions

	As at December 31st 2020	As at December 31st 2019
Provision for accrued holiday entitlements (iii)	2,549	1,693
Provision for retirement and disability benefit obligations (iii)	530	448
Provision for obligations under the Incentive Scheme for 2020 (i)	5,379	-
Provision for obligations under the Incentive Scheme for 2019 (i)	-	2,554
Obligations under the Incentive Scheme for 2019 (i)	625	-
	9,083	**4,695**
Long-term employee benefit obligations and provisions	2,298	1,196
Short-term employee benefit obligations and provisions	6,785	3,499
Total	**9,083**	**4,695**

As of January 1st 2020	**2,554**
Value of bonus granted - Resolution No. 3 of the Supervisory Board of June 29th 2020 (ii)	(2,086)
Reversal of provision	(468)
As at December 31st 2020	**-**

(all amounts in PLN thousand)

Expensed in period	Period ended December 31st 2020	Period ended December 31st 2019
Provision for accrued holiday entitlements	(856)	(389)
Provision for retirement and disability benefit obligations	(82)	(162)
Provision for obligations under the Incentive Scheme for 2019	468	(2,554)
Provision for obligations under the Incentive Scheme for 2020	(5,379)	-
	(5,849)	**(3,105)**

(i) In the statement of financial position, the Group changed presentation of the provision for its obligations under the Incentive Scheme. As at December 31st 2019, the provision was disclosed under long-term provisions and short-term provisions, together with other provisions.
On April 9th 2019, by Resolution No 14, the Supervisory Board adopted the Rules of the 2019–2021 Incentive Scheme for Members of the Management Board of Auto Partner S.A. 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 introduce a mechanism 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. The Supervisory Board of Auto Partner S.A. defined further details of the Incentive Scheme Rules for members of the Management Boards of Auto Partner S.A. by deciding that the bonuses to be paid to the eligible members of the Management Board 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 the amount of depreciation charge 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.

On June 29th 2020, based on the Rules of the Incentive Scheme of April 9th 2019, Resolution No. 3 of the Supervisory Board of April 3rd 2020, the audited full-year consolidated financial statements of the Auto Partner Group for the financial year 2019 as approved by the Annual General Meeting on June 19th 2020, and the settlement of the business objectives set out in the Rules, the Supervisory Board decided to grant the following bonuses to the Scheme participants, i.e. Andrzej Manowski, Vice President of the Management Board, and Piotr Janta, Vice President of the Management Board:

Piotr Janta, Vice President of the Management Board – bonus of PLN 674,000, to be paid in the following instalments: PLN 472,000 in 2020; PLN 135,000 in 2021; PLN 67,000 in 2022; Andrzej Manowski, Vice President of the Management Board – bonus of PLN 674,000, to be paid in the following instalments: PLN 472,000 in 2020; PLN 135,000 in 2021; PLN 67,000.00 in 2022.

The bonus for 2019, payable in 2020 under Resolution No. 3 of the Supervisory Board of June 29th 2020, was calculated as at the reporting date. The 2020 instalment was paid on July 1st 2020.

(ii) The difference between the amount of the bonus granted under the Supervisory Board's resolution of June 29th 2020, of PLN 1,348 thousand, and the disclosed obligation under the Incentive Scheme for 2019, of PLN 1,053 thousand, is, as at the reporting date, a public charge on the bonus payable in 2020 disclosed in the statement of financial position under trade and other payables. The 2020 instalment was paid on July 1st 2020.

(iii) 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.

(all amounts in PLN thousand)

26.2. 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 2020	**Period ended December 31st 2019**
Social security contributions financed by the employer, expensed	(17,878)	(16,319)
of which unpaid premiums (i)	*3,106*	*2,689*

(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.

26.3. 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 2020	**Period ended December 31st 2019**
Expensed contributions,	(331)	(65)
of which unpaid premiums (i)	*59*	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.

27. Financial instruments

	As at December 31st 2020	**As at December 31st 2019**
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:	135,493	131,987
Cash	*21,377*	*25,947*
Trade and other financial receivables	*114,079*	*105,973*
Loans	*37*	*67*
Measured at fair value through other comprehensive income	-	-

Financial receivables excluded from the scope of IFRS 9 – finance lease receivables	15	24
Financial receivables excluded from the scope of IFRS 9 – shares	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:	178,947	260,582
Trade payables	*73,816*	*68,150*
Contract liabilities	*351*	*354*
Liabilities arising from acquisition of property, plant and equipment and intangible assets	*1,453*	*257*
Borrowings	*103,327*	*173,901*
Reverse factoring liabilities	-	*14,370*
Factoring liabilities	-	*3,550*
Non-IFRS 9 financial liabilities – lease liabilities	83,599	82,542

Fair value

The Group designates 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 entered into currency forward contracts. As at the reporting date, the Group had no open 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.

28. 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 from 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 2020	**Period ended December 31st 2019**
Share capital	13,062	13,062
Statutory reserve funds created to cover losses in accordance with the Commercial Companies Code	**4,354**	**4,354**

(all amounts in PLN thousand)

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 ratio calculated as net debt to equity disclosed in the statement of financial position.

	As at December 31st 2020	**As at December 31st 2019**
Borrowings	103,327	173,901
Lease liabilities	83,599	82,542
Factoring liabilities	-	17,920
Trade and other payables	85,037	77,827
Cash and cash equivalents	(21,377)	(25,947)
Net debt	**250,586**	**326,243**
Equity	**482,927**	**372,197**
Net debt to equity	**0.52**	**0.88**

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 invested domestically and internationally with banks of recognised standing.

Interest rate risk

The Group is exposed to interest rate risk. The risk is managed by maintaining an appropriate proportion of fixed- and floating-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 floating-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 2020	**As at December 31st 2019**
Cash at banks	18,208	22,900
Liabilities under bank borrowings	(75,292)	(145,866)
Lease liabilities	(25,510)	(34,599)
Factoring liabilities	-	(17,920)
Variable rate financial assets and liabilities	**(82,594)**	**(175,485)**
Change in financial assets and liabilities	(413)	(878)
Effect on profit before tax	(413)	(878)
Tax effect	78	167

(all amounts in PLN thousand)

Effect of 50 bps increase in interest rate on net profit	**(335)**	**(711)**
Change in financial assets and liabilities	413	878
Effect on profit before tax	413	878
Tax effect	(78)	(167)
Effect of 50 bps decrease in interest rate on net profit	**335**	**711**

The Company's sensitivity to interest rate risk has substantially decreased due to a significant reduction in debt under bank borrowings and factoring.

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 2020, the Group used derivative instruments to hedge against the 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 2020	**As at December 31st 2019**
Liabilities in PLN		
EUR	92,097	91,733
USD	-	6,652
CZK	550	295
Other	197	37
Assets in PLN		
EUR	27,829	52,253
USD	96	53
CZK	17,542	5,095
HUF	3,354	3,270
RON	2,119	1,496
Other	59	11

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. The negative value means the opposite effect of exchange rate movements on profit or equity.

	Period ended December 31st 2020	**Period ended December 31st 2019**
Profit (loss) before tax	6,427	3,948
Tax effect	(1,221)	(750)
Effect of 10% decrease in EUR exchange rate	**5,206**	**3,198**
Profit (loss) before tax	(10)	660
Tax effect	2	(125)
Effect of 10% decrease in USD exchange rate	**(8)**	**535**
Profit (loss) before tax	(1,699)	(480)
Tax effect	323	91

(all amounts in PLN thousand)

Effect of 10% decrease in CZK exchange rate	**(1,376)**	**(389)**
Profit (loss) before tax	(335)	(327)
Tax effect	64	62
Effect of 10% decrease in HUF exchange rate	**(272)**	**(265)**
Profit (loss) before tax	(212)	(150)
Tax effect	40	28
Effect of 10% decrease in RON exchange rate	**(172)**	**(121)**

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 further decreased due to the rapid growth of export sales denominated in the euro, which reduces net exposure of the Group to the currency.

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 2020	**As at December 31st 2019**
Factoring agreements:		
Amount used	-	17,920
Amount available	15,000	7,080
Secured bank financing:		
Amount used	67,000	141,765
Amount used by subsidiary (i)	8,438	4,274
Amount available	107,437	16,746
Total	**197,875**	**187,785**

Within the limit of 127,785 thousand, the facility is also used by the Company’s subsidiary.

Apart from the above credit facilities contracted with banks, the Group also uses shareholder loans; for details, see Note 20.

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.

	Note	**Carrying amount**	**Value of cash flows**	**<=30days**	**31-90 days**	**91-365 days**	**1-5 years**	**> 5 years**
As at December 31st 2019								
Bank borrowings (other than overdraft facilities)	20	63,674	67,607	298	281	1,461	65,567	-
Overdraft facilities	20	82,192	82,192	106	18,714	-	63,372	-
Non-bank borrowings	20	28,035	33,375	-	-	1,335	32,040	-
Lease liabilities	23	82,542	90,482	2,116	4,242	18,857	65,267	-
Factoring liabilities	24	17,920	18,080	2,108	15,202	770	-	-
Trade payables	22	68,150	68,150	49,297	18,853	-	-	-
Other liabilities	22	14,694	14,694	11,732	2,962	-	-	-
Contract liabilities	22	354	354	354	-	-	-	-
		357,561	**374,934**	**66,011**	**60,254**	**22,423**	**226,246**	**0**
As at December 31st 2020								

(all amounts in PLN thousand)

Bank borrowings (other than overdraft facilities)	20	66,854	68,323	333	212	67,778	-	-
Overdraft facilities and loans	20	8,438	8,438	-	-	8,438	-	-
Non-bank borrowings	20	28,035	32,040	-	1,335	1,335	29,370	-
Lease liabilities	23	83,599	89,830	2,418	4,827	22,255	53,019	7,311
Factoring liabilities	24	-	-	-	-	-	-	-
Trade payables	22	73,816	73,816	21,972	51,611	233	-	-
Other liabilities	22	16,873	16,873	13,669	3,204	-	-	-
Contract liabilities	22	351	351	351	-	-	-	-
		277,966	**289,671**	**38,743**	**61,189**	**100,039**	**82,389**	**7,311**

The table below presents the projected maturities of the Group's non-derivative financial assets as at December 31st 2020, including cash flows from both interest and principal.

	Note	Carrying amount	Value of cash flows	<=30days	31-90 days	91-365 days	1-5 years	> 5 years
As at December 31st 2019								
Cash	25	25,947	25,947	25,947	-	-	-	-
Finance lease receivables	17	24	27	1	3	8	15	-
Trade receivables	17	93,003	93,003	59,948	25,098	6,755	1,202	-
Receivables from participation in purchasing group	17	9,834	9,834	-	-	9,834	-	-
Non-bank borrowings	15	67	80	29	2	6	43	-
Other financial receivables	17	3,136	3,136	1,560	-	-	-	1,576
		132,011	**132,027**	**87,485**	**25,103**	**16,603**	**1,260**	**1,576**
As at December 31st 2020								
Cash	25	21,377	21,377	21,377	-	-	-	-
Finance lease receivables	17	15	17	2	7	8	-	-
Trade receivables	17	98,615	98,615	62,133	28,785	6,524	1,173	-
Receivables from participation in purchasing group	17	12,670	12,670	-	-	12,670	-	-
Non-bank borrowings	15	37	53	1	1	6	45	-
Other financial receivables	17	2,794	2,794	1,183	-	-	-	1,611
		135,508	**135,526**	**84,696**	**28,793**	**19,208**	**1,218**	**1,611**

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

29. 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.

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.

(all amounts in PLN thousand)

Sales of goods and services and other income	Period ended December 31st 2020	Period ended December 31st 2019
entities related to members of the Management Board and the Supervisory Board	**171**	**54**
including:		
sales of goods	*13*	*47*
re-charge of costs	*158*	*7*
members of management boards of subsidiaries	**10**	**9**
including:		
sales of goods	*2*	*2*
re-charge of costs	*8*	*7*
Total	**181**	**63**

Purchase of goods and services and other purchases	Period ended December 31st 2020	Period ended December 31st 2019
entities related to members of the Management Board and the Supervisory Board	**949**	**1,130**
including:		
purchase of services	*949*	*1,130*
members of management boards of subsidiaries	**181**	**210**
including:		
purchase of services	*181*	*210*
Total	**1,130**	**1,340**

Receivables	As at December 31st 2020	As at December 31st 2019
entities related to members of the Management Board and the Supervisory Board	4	8
members of management boards of subsidiaries	3	1
Total	**7**	**9**

Liabilities	As at December 31st 2020	As at December 31st 2019
entities related to members of the Management Board and the Supervisory Board	100	78
members of management boards of subsidiaries	8	19
Total	**108**	**97**

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

Sales of goods and services and other income	Period ended December 31st 2020	Period ended December 31st 2019
Management Board members	**34**	**33**
including:		

re-charge of costs	*34*	*33*
Supervisory Board	**-**	**5**
including:		
sales of goods	-	
re-charge of costs	-	*5*
Total	**34**	**38**

Receivables	**As at December 31st 2020**	**As at December 31st 2019**
Management Board members	46	6
Supervisory Board	-	-
Total	**46**	**6**

Remuneration	**Period ended December 31st 2020**	**Period ended December 31st 2019**
Management Board members	1,868	693
Members of management boards of subsidiaries	957	240
Supervisory Board	86	80
Total	**2,911**	**1,013**

(i) Incentive Scheme for 2016−2018;

(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 Management Board of Auto Partner S.A. 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 introduce a mechanism 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. Its terms will be the same as those provided for in the Rules of the Incentive Scheme for members of the Auto Partner S.A. Management Board. The bonuses to be paid under the Incentive Scheme Rules for members of the Management Board of Maxgear Sp. z o.o. 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. and resolved 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 the amount of depreciation charge 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.

(all amounts in PLN thousand)

Loans	As at December 31st 2020	As at December 31st 2019
Shareholder loan (Note 20)	28,035	28,035
Total	**28,035**	**28,035**

Finance costs	Period ended December 31st 2020	Period ended December 31st 2019
Interest expense recognised	(1,335)	(1,335)
Total	**(1,335)**	**(1,335)**

30. Contingent liabilities, future contract liabilities, sureties provided and received, and contingent assets

Sureties and guarantees provided and received

Bank guarantees:

– 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 20

– PLN 2,000 thousand bank guarantee No. DOK3617GWB19KW of October 18th 2019, provided in connection with a distribution agreement (as amended), valid until May 31st 2022, granted within credit limit of the facility provided by ING Bank Śląski S.A.; see Note 20

– PLN 652 thousand bank guarantee No. DOK2419GWB20AR of July 27th 2020, provided in connection with a contract for rent of property in Bieruń, valid until August 31st 2023, granted within credit limit of the facility provided by ING Bank Śląski S.A.; see Note 20

– PLN 190 thousand bank guarantee No. DOK2418GWB20TI of July 27th 2020, provided in connection with a contract for rent of property in Pruszków, valid until August 31st 2023, granted within credit limit of the facility provided by Santander Bank Polska S.A.; see Note 20

– PLN 2,500 thousand bank guarantee No. DOK3227GBW20TI of October 1st 2020, provided in connection with an authorised distribution agreement, valid until December 31st 2020, granted within credit limit of the facility provided by Santander Bank Polska S.A.; see Note 20.

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 materialises, 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 in 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 Code also contains 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 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 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.

(all amounts in PLN thousand)

Executed agreements

In 2020, the parent entered into contracts classified as leases under IFRS 16, however the liabilities under the contracts are not disclosed as at the reporting date due to the failure to make the leased assets available for use by the Company by December 31st 2020; the amount of the liability is PLN 16,622 thousand. The leased assets include warehouse control and measurement equipment, hardware, and a car.

31. 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:

- 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 2020	Period ended December 31st 2019
Audit of full-year financial statements	177,000	128,000
Review of financial statements	58,000	58,000
Total remuneration of the auditor (PLN)	**235,000**	**186,000**

32. Headcount at the Group

	As at December 31st 2020	As at December 31st 2019
Management and administration	111	170
Sales and marketing	783	667
Logistics and warehousing	888	807
Total (persons)	**1,782**	**1,644**

The differences in the headcount in the areas of Management and Administration and Sales and Marketing compared to December 31st 2019 are due to the different job classifications in the new human resources and payroll system implemented in the Company.

33. Events subsequent to the reporting date

On January 11th 2021, the Issuer entered into an agreement with Global One Automotive GmbH of Frankfurt whereby it advanced a EURO 525 thousand loan to Global One. The loan bears interest at 4.5%. The agreement was concluded for a definite term until June 18th 2021. The Company holds 6.66% of shares in Global One Automotive GmbH as a participant in the International Procurement Group (since 2017).

On February 26th 2021, the Issuer filed an application with the Provincial Labour Office in Katowice for grant to subsidise remuneration for employees not covered by any economic downtime or reduced amount of working time, due to the decline in turnover caused by the COVID-19 pandemic. The application was submitted pursuant to Art. 15g of the Act on special arrangements to prevent, counteract and combat COVID-19, other infectious diseases and crisis situations caused by them, dated March 2nd 2020 (Dz. U. of 2020s, item 374, as amended). Amount requested: PLN 11,240,302.08, including: co-financing of social security contributions: PLN 1,648,794.12, co-financing of employee remuneration: PLN 9,591,507.96. On March 16th 2021, the Company's bank account was credited with the amount of PLN 7,493,534.72 under the first and second tranches of the grant. The Company is to receive one more tranche of the grant, approximately PLN 3,746,767, as per the application. However, the final decision as to the final amount of the grant and its possible repayment will be made after the application is fully settled, i.e. by May 30th 2021 or within 30 days from the date of receipt of the last tranche and after any official checks by the competent authorities have been completed.

On March 15th 2021, the Management Board of the Issuer passed a resolution to request the Annual General Meeting to pay dividend for the financial year 2020. Pursuant to the resolution, the Management Board recommends payment of dividend to the Company's shareholders of PLN 13,062,000 (thirteen million, sixty-two thousand złoty), i.e. PLN 0.10 (ten grosz) per share. The balance of the net profit for the financial year 2020 is recommended to be allocated to the Company's statutory reserve funds. At the meeting on March 30th 2021, the Supervisory Board gave a positive opinion on the request (Resolution No. 3). The dividend recommendation will be submitted to the Annual General Meeting.

34. Impact of the COVID-19 pandemic on the Group's business

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

- the risk of decline in the purchasing power of consumers (on the other hand, in such a situation more people will drive older cars, so the demand for the Company’s goods will rise) and decrease in consumers’ mobility as a result of travel restrictions;
- the risk of obstacles at country borders, which may affect transport to foreign customers.

As at the date of issue of this report, the Company has not identified any impediments to its operations or observed limited consumer demand for replacement/spare parts. After a period when certain temporary difficulties occurred, mainly related to mobility constraints (end customers’ inability to have their vehicles serviced), the demand recovered, leading to increased activity at repair workshops, which performed maintenance repairs that were not made during the spring season.

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 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 made 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 contracts.

In the opinion of the Management Board, the coronavirus pandemic and its national and global consequences in terms of possible renewed governmental restrictions may affect the Company's and its Group's business, growth opportunities and financial condition. In view of the above, since mid-March 2020 the Management Board of the Company has been monitoring the Group's economic and financial condition on an ongoing basis. The Company takes a number of measures to protect health and safety of its employees and customers, as well as measures aimed at minimising the economic impact of the pandemic. Given the continuing high level of uncertainty about the development of the situation, both on the domestic and global markets, it is not possible to estimate the pandemic's impact on the Group's results.

Further development of the pandemic is highly unpredictable, and therefore the situation may change in the future.

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

35. 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 March 30th 2021.

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