
Separate financial statements for the year ended December 31st 2021, prepared in accordance with International Financial Reporting Standards endorsed by the European Union



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Separate statement of comprehensive income

	Note	period ended	
		December 31st 2021	December 31st 2020
STATEMENT OF PROFIT OR LOSS			
Revenue	5	2,261,720	1,673,017
Cost of sales	6	(1,629,864)	(1,216,388)
Gross profit (loss)		631,856	456,629
Distribution costs and marketing expenses	6	(240,994)	(184,239)
Warehousing (logistics) costs	6	(137,092)	(109,969)
Management and administrative expenses	6	(22,092)	(23,529)
Other gains (losses), net	7	(948)	(2,769)
Other income		383	610
Other expenses		(3,486)	(669)
Operating profit (loss)		227,627	136,064
Finance income	8	9,609	19,777
Finance costs	9	(8,108)	(11,869)
Profit (loss) before tax		229,128	143,972
Income tax	10.1	(43,067)	(27,908)
NET PROFIT (LOSS)		186,061	116,064
OTHER COMPREHENSIVE INCOME			
Other comprehensive income, net		-	-
Other comprehensive income that will be reclassified to profit or loss		-	-
TOTAL COMPREHENSIVE INCOME		186,061	116,064
Earnings (loss) per share (PLN per share)			
From continuing operations:			
Basic	11	1.42	0.89
Diluted	11	1.42	0.89

Separate statement of financial position

	Note	As at December 31st 2021	As at December 31st 2020
ASSETS			
Non-current assets			
Intangible assets	13	20,559	12,720
Property, plant and equipment	12	166,997	131,011
Investments in related entities	14	30,448	30,448
Investments in other entities	14	110	110
Other long-term receivables	17	3,555	2,122
Other non-current financial assets	15	1,459	-
Total non-current assets		223,128	176,411
Current assets			
Inventories	16.1	647,280	438,720
Right-of-return assets	16.2	10,859	10,211
Trade and other receivables	17	250,249	159,172
Other financial assets	15	4	1,321
Cash and cash equivalents	24.1	13,922	13,126
Total current assets		922,314	622,550
Total assets		1,145,442	798,961
EQUITY AND LIABILITIES			
Equity			
Share capital issued	18	13,062	13,062
Share premium	19	106,299	106,299
Other capital reserves	19	2,103	2,103
Retained earnings	19	554,880	381,881
Total equity		676,344	503,345
Non-current liabilities			
Long-term borrowings	20	93,896	26,700
Lease liabilities	23	71,275	56,718
Employee benefit obligations and provisions	25	887	1,654
Deferred tax liability	10.5	14,944	8,568
Total non-current liabilities		181,002	93,640
Current liabilities			
Trade and other payables	22.1	69,385	73,908
Contract and right-of-return liabilities	22.2	15,593	13,215
Short-term borrowings	20	116,882	68,144
Lease liabilities	23	32,331	26,464
Current tax liability	10.2	23,724	1,415
Employee benefit obligations and provisions	25	20,335	16,536
Short-term provisions	21	9,846	2,294
Total current liabilities		288,096	201,976
Total liabilities		469,098	295,616
Total equity and liabilities		1,145,442	798,961

Separate statement of cash flows

<i>Indirect method</i>	Note	period ended	
		December 31st 2021	December 31st 2020
Cash flows from operating activities			
Profit before tax		229,128	143,972
Adjustments:			
Depreciation and amortisation		25,935	23,121
Foreign exchange gains/losses		(628)	3,385
Adjustments for gains/losses on investing activities		237	(4)
Finance costs recognised in profit or loss		7,397	7,887
Finance income recognised in profit or loss		(68)	(30)
Other adjustments		(4)	(12)
Change in inventories		(208,560)	(14,411)
Change in right-of-return assets		(648)	(2,683)
Gains on share in profit or loss of related entities		(9,176)	(19,519)
Change in trade and other receivables		(104,721)	(16,145)
Change in trade and other payables		14,739	17,981
Change in contract and right-of-return liabilities		2,378	3,437
Change in employee benefit obligations and provisions		10,584	4,471
Cash from operating activities		(33,407)	151,450
Income tax paid		(14,383)	(24,947)
Net cash from operating activities		(47,790)	126,503
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(18,452)	(9,987)
Disposal of property, plant and equipment and intangible assets		271	97
Loans		(2,394)	-
Repayment of loans		2,391	-
Receipts from lease		216	204
Interest received		68	36
Net cash from investing activities		(17,900)	(9,650)
Cash flows from financing activities			
Dividend paid		(13,062)	-
Borrowings received		115,387	-
Borrowings repaid		-	(75,379)
Repayment of financing – reverse factoring		-	(14,729)
Repayment of financing – factoring		-	(3,618)
Payment of lease liabilities		(29,156)	(24,941)
Interest and commissions paid		(6,180)	(7,499)
Other cash used in financing activities – corporate surety		(415)	(383)
Other cash provided by financing activities – corporate surety		68	30
Net cash from financing activities		66,642	(126,519)
Total net cash flows		952	(9,666)
Cash and cash equivalents at beginning of period		13,126	22,627
Effect of exchange rate movements on net cash in foreign currencies		(156)	165
Cash and cash equivalents at end of period	24	14,078	12,961

Separate statement of changes in equity

	Share capital issued	Capital from issue of warrants	Share premium	Retained earnings	Total equity
As at January 1st 2020	13,062	2,103	106,299	265,817	387,281
Net profit for period				116,064	116,064
Total comprehensive income	-	-	-	116,064	116,064
As at December 31st 2020	13,062	2,103	106,299	381,881	503,345
Net profit for period				186,061	186,061
Total comprehensive income	-	-	-	186,061	186,061
Dividend paid				(13,062)	(13,062)
As at December 31st 2021	13,062	2,103	106,299	554,880	676,344

General information, basis of preparation of the separate financial statements and other notes

1. General information

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.

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.

The Company has been established for indefinite time. The Company's financial year is the same as the calendar year.

As at the date of authorisation of these financial statements for issue, the Management Board was composed of:

Aleksander Górecki – President of the Management Board,
Andrzej Manowski – Vice President of the Management Board,
Piotr Janta – Vice President of the Management Board.

As at the date of authorisation of the financial statements for issue, the Supervisory Board was composed of:

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 proxy: 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 2021 is presented below.

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

2. Changes in accounting policies and presentation changes

2.1. Changes in accounting policies

The Company did not change its accounting policies.

2.2. Presentation changes

The Company's Management Board made the following presentation change in the reporting period in order to present the Company's financial position in a reliable and faithful manner.

- 1) change in the presentation of employee benefit obligations, comprising salaries and wages, social security and PPK (Employee Capital Plan) obligations. Before the change, these obligations were presented in the statement of financial position under other liabilities. After the change, they were presented in employee benefit obligations and provisions.
- 2) change in the presentation of provisions for warranty repairs, which were previously presented in the statement of financial position under short-term provisions as the difference between the estimate of cost expected to be reimbursed by suppliers on account of warranty complaints and the estimated cost of warranty complaints. After the change, the estimate of cost expected to be reimbursed by suppliers

on account of warranty complaints is presented in other financial receivables, while the estimated cost of warranty complaints is included in short-term provisions.

Below is presented the effect of the presentation change in the statement of financial position and in the statement of cash flows for the period ended December 31st 2020.

Separate statement of financial position	As at December 31st 2020	change	As at December 31st 2020
	before		after
Trade and other receivables	157,573	1,599	159,172
Total current assets	620,951	1,599	622,550
Total assets	797,362	1,599	798,961
Trade and other payables	85,139	(11,231)	73,908
Employee benefit obligations and provisions	5,305	11,231	16,536
Short-term provisions	695	1,599	2,294
Total current liabilities	200,377	1,599	201,976
Total liabilities	294,017	1,599	295,616
Total equity and liabilities	797,362	1,599	798,961

Separate statement of cash flows	Period ended December 31st 2020	change	Period ended December 31st 2020
	before		after
Change in trade and other receivables	(15,756)	(389)	(16,145)
Change in trade and other payables	18,819	(838)	17,981
Change in employee benefit obligations and provisions	3,244	1,227	4,471
Cash from operating activities	151,450	-	151,450
Net cash from operating activities	126,503	-	126,503

3. Basis of preparation of the financial statements and accounting policies

3.1. Statement of compliance

These full-year separate financial statements (the “consolidated financial statements”) of the Company for the period January 1st 2021 to December 31st 2021 and for the comparative period of the previous year have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union, issued and effective for reporting periods beginning January 1st 2021. The accounting policies applied in the preparation of these financial statements are consistent with the policies applied in the preparation of the financial statements for the financial year ended December 31st 2020, save for the presentation changes discussed in Note 2.2.

These separate financial statements were prepared on a going concern basis. As at the date of authorisation of these financial statements, there were no circumstances indicating any threat to the Company’s ability to continue as a going concern.

These separate financial statements of Auto Partner S.A. are presented alongside the consolidated financial statements of the Auto Partner Group, issued on the same day. For information on the Group’s subsidiaries, see Note 14.

3.2. Amendments to standards and interpretations in 2021

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 2021:

- **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).
- **Amendments to IFRS 16 Leases – Covid-19-Related Rent Concessions beyond 30 June 2021**, endorsed by the European Union on August 30th 2021 (effective from April 1st 2021 for the financial years beginning on or after January 1st 2021).
- **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).

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

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

- **Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use**, endorsed by the European Union on June 28th 2021 (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**, endorsed by the European Union on June 28th 2021 (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)**, endorsed by the European Union on June 28th 2021 (effective for annual periods beginning on or after January 1st 2022),
- **Amendments to IFRS 17 Insurance Contracts** issued by the International Accounting Standards Board (IASB) on June 25th 2020, endorsed by the European Union on November 19th 2021 (effective for annual periods beginning on or after January 1st 2023),
- **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, endorsed by the EU on June 28th 2021 (amendments to IFRS 1, IFRS 9 and IAS 41), effective for annual periods beginning on or after January 1st 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated).
- **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 – Definition of accounting estimates**, effective for annual periods beginning on or after January 1st 2023,

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,
- **Amendments to IAS 1 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current***, effective for annual periods beginning on or after January 1st 2023,
- **Amendments to IAS 12 *Income Taxes*** – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after January 1st 2023),
- **Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, and subsequent amendments***, the effective date postponed until completion of research on the equity method.
- **Amendments to IFRS 17 *Insurance Contracts*** – Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after January 1st 2023).

The Company 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.

The scope of regulations endorsed by the European Union does not include hedge accounting for portfolios of financial assets and financial liabilities, as the relevant rules have not yet been approved for application in the EU. The Company estimates that the application of hedge accounting for portfolios of financial assets and financial liabilities in accordance with **IAS 39 *Financial Instruments: Recognition and Measurement*** would not have had a material effect on these financial statements had the standard been endorsed for application as at the reporting date.

3.3. Significant assessments and estimates

The preparation of financial statements in accordance with IFRS requires the Management Board of the Company 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. For details, see Note 4.

3.4. Seasonality

The sale of spare parts and accessories, which constitutes the principal business activity of the Company, is subject to seasonal fluctuations during the year. The highest sale volumes are recorded in the spring season (March to April/May) and in autumn (October and November), and additionally during summer months, while being relatively the lowest in winter. The seasonality of sales is reflected in higher demand for merchandise, which results in a seasonal increase in purchases of merchandise and the amount of related trade payables before the high seasons, especially spring.

3.5. Functional and reporting currency

These separate financial statements have been prepared in the Polish złoty (PLN). The Polish złoty is the functional currency of the Company and the reporting currency adopted for these separate financial statements. The data contained in these financial statements is presented in thousands of złoty, unless more accurate information is provided in specific cases.

3.6. Significant accounting policies

Property, plant and equipment

Property, plant and equipment include own property, plant and equipment, leasehold improvements, as well as property, plant and equipment under construction used in the Company'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 Company 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. The Company 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. 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 Company 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:

- buildings and premises - 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 Company and from which the Company 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 Company 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 Company 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 Company 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.

At the commencement date, the Company measures the right-of-use asset at cost, which includes:

- the amount of the lease liability as initially measured,
- any lease payments made at or prior to commencement, less any lease incentives **received**;
- any initial direct costs incurred by the lessee; and
- an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

At the commencement date, the Company measures the lease liability at the present value of lease payments that have not been paid at that date. Lease payments are discounted by the Company using the interest rate implicit in the lease if that rate can be readily determined. If this is not the case, the incremental borrowing rate is used.

At the commencement date, lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- fixed lease payments less any lease incentives receivable;
- variable lease payments which depend on an index or a rate, initially measured using the index or rate at the commencement date of the lease;
- amounts expected to be paid by the lessee under a residual value guarantee,
- the exercise price of the call option if it is reasonably certain that the lessee will exercise that option,
- lease termination fees if the lessee is entitled to exercise the option to terminate the lease.

After the commencement date, the Company measures the right-of-use asset applying the cost model:

To apply the cost model, the Company measures the right-of-use asset at cost:

- less any accumulated depreciation and impairment losses; and
- adjusted for remeasurement of the lease liability to reflect changes in lease payments.

After the commencement date, the lessee measures the lease liability by:

- increasing the carrying amount to reflect interest on the lease liability;

- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any lease reassessment or modification.

In the statement of financial position, the Company presents the right-of-use assets under the same line item as the assets owned by the Company 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. Interest expense is charged directly to finance costs.

For information on leases, see Note 9 concerning of the amount of interest, Notes 12 and 13 concerning the carrying amount of assets and depreciation, Note 23 concerning the amount of the liability, and Note 29 concerning the amount of contingent liabilities.

The Company as a lessor

The Company 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 Company 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 Company's net investment in the lease. The Company 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 Company 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 Company 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 Company's core business model, financial assets are held to collect contractual cash flows.

The Company 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 Company 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 Company 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 Company 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 Company applies the portfolio approach to trade receivables, while for other financial assets, given their limited number in each category, the Company applies a case-by-case approach. With respect to cash and assessment of its impairment, the Company deposits its cash with banks of high creditworthiness, verified on the basis of published ratings. For impairment of trade receivables, the Company uses a simplified approach and measures allowances for expected credit losses at amounts equal to lifetime expected credit losses. The Company'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 Company 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 Company also applies a case-by-case assessment of expected credit losses with respect to receivables from related parties, factoring receivables and insurance receivables. Such approach is also applied to identified trade receivables where in the opinion of the Management Board the risk of irrecoverability is significant, e.g. due to liquidation or bankruptcy of the debtor. Financial assets are written off when the Company 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 Company 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, which are taken directly to profit or loss for the period) is recognised as a reduction of purchase price regardless of the date of actual receipt of such payments, i.e. the amount corresponding to goods purchased and sold in a period reduces the cost of merchandise sold, while the balance reduces the value of inventories.

The right-of-return asset represents the estimated amount of future adjustments to sales to reflect returns by customers based on historical data on returns and the current period's turnover. 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 Company's asset under the Company'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 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.

Cash

Cash and cash equivalents comprise cash in hand, cash in bank accounts and cash in transit. 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 24.1.

Provisions, contingent liabilities and contingent assets

Provisions are recognised if the Company 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 it is virtually certain that the amount can be recovered and it 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 Company during the warranty period.

Commitments and contingent liabilities

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

Contingent assets

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

Financial liabilities

Financial liabilities are classified by the Company into:

- financial assets measured at amortised cost,
- financial assets measured at fair value through profit or loss.

The Company 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 Company 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 Company enters into 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 Company 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 and provisions

In the statement of financial position, the Company 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 Company with regard to services provided by employees by the reporting date.

Equity

The Company'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,
- capital from issue of warrants,
- retained earnings comprising retained earnings from previous years and current profit or loss.

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 off 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, provided 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 Company classifies as revenue:

Revenue from sale of merchandise, arising from the Company'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 Company grants customers additional discounts, whose estimated cost is recognised as reduction in revenue. The Company grants customers the right to return goods, which the Company recognises in the amount of consideration that the Company expects to receive. The Company 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. The services rendered include mainly lease of space and equipment, right-of-return services, and organisation of customer training.

Disclosure of disaggregated revenue – operating segments

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

Discontinued operations

The Company 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 Company 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 Company may take into account its experience and knowledge, as well as opinions, analyses and recommendations issued by independent experts.

Estimate of expected cost of warranty repairs

In accordance with the applicable laws, the Company grants a two-year warranty for the goods it sells. If the goods are found defective during the warranty period, the Company 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 Company 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 Company 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 Company 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. The estimated cost of warranty repairs is presented in Note 21.

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 Company, the vast majority of returns are made within three months from the date of sale. The Company estimates the value of future adjustments to sales to reflect returns by customers based on historical data concerning returns made in the current period in respect of sales made in previous years as well as the current period's turnover. For information on the right-of-return asset, see Note 16.2.

Estimate of discounts received from suppliers

The Company 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 Company 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 Company, taking into account the aging of the inventory. The estimated discounts are allocated proportionately to the value of merchandise sold (Note 6) and to the value of inventories (Note 16.1).

Estimate of revenue and discounts from marketing activities

The Company 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 Company 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 (Note 6).

Estimate of recoverable amount of merchandise held

The Company 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 Company estimates the negative margins to be incurred in the future and recognises inventory write-downs (Note 16.1), 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 Company enters into support agreements and discount agreements with selected customers. Under such arrangements, the Company agrees to provide specific support or discounts if the trading partner achieves the contracted volume of turnover with the Company. The Company 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 (Note 5).

Estimate of allowance for expected credit losses

Expected credit losses on trade receivables are recognised as lifetime expected credit losses. To calculate expected credit losses, the Company 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 Company also estimates expected credit losses on trade receivables on a case-by-case basis. This applies to identified trade receivables where in the opinion of the Management Board the risk of irrecoverability is significant, e.g. due to liquidation or bankruptcy of the debtor. For information on the allowance for expected credit losses, see Note 17.

Risk related to ownership of goods

Under purchase contracts concluded with certain suppliers, the supplied goods are deemed to become the property of the Company upon payment of the full purchase price. In the opinion of the Management Board of the Company, all significant risks incidental to the purchased goods (Note 16.1) 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 Company's trade payables.

5. Revenue

The principal business of the Company 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 Company's business.

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

	Period ended December 31st 2021	Period ended December 31st 2020
Revenue from sale of merchandise	2,254,624	1,666,517
including:		
<i>Sales of merchandise – Poland</i>	<i>1,226,939</i>	<i>962,038</i>
<i>Sales of merchandise – EU</i>	<i>1,011,240</i>	<i>696,376</i>
<i>Sales of merchandise – other exports</i>	<i>16,445</i>	<i>8,103</i>
Revenue from rendering of services	7,096	6,500
including:		
<i>Sales of services – Poland</i>	<i>5,344</i>	<i>5,461</i>
<i>Sales of services – EU</i>	<i>1,752</i>	<i>1,039</i>
Total revenue	2,261,720	1,673,017

6. Costs by nature and function of expense

	Period ended December 31st 2021	Period ended December 31st 2020
Depreciation and amortisation	(25,935)	(23,121)
Raw materials and consumables used	(20,684)	(14,100)
Services	(209,231)	(156,045)
Taxes and charges	(2,945)	(2,170)
Employee benefits expense *)	(132,985)	(113,449)
Other costs by nature of expense	(12,914)	(8,852)
Merchandise and materials sold	(1,625,348)	(1,216,388)
Total costs by nature of expense	(2,030,042)	(1,534,125)
Cost of sales	(1,629,864)	(1,216,388)
Distribution costs and marketing expenses	(240,994)	(184,239)
Warehousing (logistics) costs	(137,092)	(109,969)
Management and administrative expenses	(22,092)	(23,529)
Total costs by function of expense	(2,030,042)	(1,534,125)

*) On February 26th 2021, the Company 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. 15gg 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: grant for social security contributions: PLN 1,648,794.12, grant for 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. On April 16th 2021 the Company received one more tranche of the grant, in the amount of PLN 3,746,767.36, as per the application. In accordance with the application, the grants were used to pay employee remuneration and social security contributions for February, March and April 2021. Following full settlement of the application, the final amount of the grant totalled PLN 8,855,188.20, with PLN 2,385,113.88 returned by the Company to the bank account of the Provincial Labour Office in Katowice.

Below is presented the effect of the grants received as at December 31st 2021:

	Period ended December 31st 2021	grant amount	Period ended December 31st 2021
	excluding grants		including grants
Depreciation and amortisation	(25,935)		(25,935)
Raw materials and consumables used	(20,684)		(20,684)
Services	(209,231)		(209,231)
Taxes and charges	(2,945)		(2,945)
Employee benefits expense *)	(141,840)	8,855	(132,985)
Other costs by nature of expense	(12,914)		(12,914)
Merchandise and materials sold	(1,625,348)		(1,625,348)
Total costs by nature of expense	(2,038,897)	8,855	(2,030,042)
Cost of sales	(1,629,864)	-	(1,629,864)
Distribution costs and marketing expenses	(244,646)	3,652	(240,994)
Warehousing (logistics) costs	(141,825)	4,733	(137,092)
Management and administrative expenses	(22,562)	470	(22,092)
Total costs by function of expense	(2,038,897)	8,855	(2,030,042)

7. Other gains (losses), net

	Period ended December 31st 2021	Period ended December 31st 2020
Foreign exchange gains or losses on operating activities – unrealised	62	301
Foreign exchange gains or losses on operating activities – realised	398	(1,904)
Gains/losses on impairment of receivables	(1,390)	(1,410)
Other	(18)	244
Other gains (losses) net	(948)	(2,769)

8. Finance income

	Period ended December 31st 2021	Period ended December 31st 2020
Gains on share in profit or loss of related entities	9,176	19,519
Gains on corporate surety provided (i)	68	30
Foreign exchange gains (losses) on financing activities	147	75
Interest on loans to related entities	59	57
Interest on loans to other entities	46	-
Interest on leases provided to related entities	21	34
Interest on trade receivables	92	60
Other finance income	-	2
Total finance income	9,609	19,777

9. Finance costs

	Period ended December 31st 2021	Period ended December 31st 2020
Interest expense:		
Interest on term and overdraft facilities	(1,748)	(1,793)
Interest on non-bank borrowings from related entities	(1,335)	(1,335)
Interest on lease liabilities (other leases)	(1,738)	(2,218)
Interest on lease liabilities (office and warehouse space leases)	(1,099)	(1,171)
Interest on factoring liabilities	-	(91)
Other interest expense	(695)	(11)
	(6,615)	(6,619)
Other finance costs:		
Foreign exchange gains (losses) on financing activities	-	(3,964)
Cost of corporate surety received (i)	(415)	(383)
Credit commissions and fees	(1,002)	(795)
Factoring commissions and fees	(60)	(102)
Other finance costs	(16)	(6)
	(1,493)	(5,250)
Total finance costs	(8,108)	(11,869)

(i) refers to Notes 8 and 9. On January 12th 2016, the Company and ING Bank Śląski signed an amendment to multi-product facility agreement No. 882/2015/00000925/00 of October 19th 2015 as amended, under which Maxgear Sp. z o.o. Sp. k. (the Company's subsidiary) joined the agreement as a joint and several debtor. The joint and several debtor agreed to pay all liabilities arising from the agreement. At the same time, a limit of up to PLN 40m was made available to the subsidiary. For the assumption of liability, each company receives consideration specified in the agreement on joint and several liability under the multi-product facility agreement, as amended, executed between the companies on January 12th 2016. As at December 31st 2021, Maxgear Sp.

z o.o. Sp.k.'s debt outstanding under the multi-product facility agreement was PLN 39,030 thousand. On September 13th 2021, a multi-purpose facility agreement was signed with BNP Paribas Bank Polska S.A. of Warsaw. The facility limit includes a sub-limit of PLN 20m provided to Maxgear Sp. z o.o. sp.k. Both companies are jointly and severally liable under the agreement. For the assumption of the joint and several liability, each company will receive consideration from the other. As at December 31st 2021, Maxgear Sp. z o.o. Sp.k.'s debt outstanding under the multi-purpose facility agreement was PLN 13m.

10. Income tax

The Company 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 Company'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 2021	Period ended December 31st 2020
Profit before tax	229,128	143,972
Income tax at 19%	(43,535)	(27,355)
Differences	468	(553)
Total income tax in the statement of comprehensive income	(43,067)	(27,908)
including:		
Current income tax:		
For current year	(36,691)	(26,480)
For previous years	-	(33)
	<u>(36,691)</u>	<u>(26,513)</u>
Deferred income tax:		
For current year	(6,376)	(1,395)
	<u>(6,376)</u>	<u>(1,395)</u>
	(43,067)	(27,908)
Profit before tax	229,128	143,972
Income tax	43,067	27,908
Effective tax rate	18.80%	19.38%

10.2. Current tax assets and liabilities

	As at December 31st 2021	As at December 31st 2020
Current tax liability	23,724	1,415

The amount of current income tax liability as at December 31st 2021 was due to a change in the form of monthly advance payments – in the tax year 2021 the Company elected to apply a simplified form of advance income tax payments, in accordance with Art. 25.6 of the Corporate Income Tax Act of February 15th 1992, that is monthly advance payments of 1/12 of the tax payable disclosed in the tax return for 2019.

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 income tax

Given the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, the Company recognises deferred tax assets and liabilities.

Deferred tax assets and liabilities

	As at December 31st 2021	As at December 31st 2020
Deferred tax assets	17,687	11,229
Deferred tax liability	(32,631)	(19,797)
Total	(14,944)	(8,568)
Offset	(17,687)	(11,229)
Deferred tax liability in the statement of financial position	14,944	8,568

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

	As at December 31st 2020	Recognised in profit or loss for 2021	As at December 31st 2021
Deferred tax assets			
Difference arising from rebate assets and inventory discounts	4,699	4,284	8,983
Difference arising from contracts with customers	1,410	294	1,704
Difference arising from returns after reporting date	504	125	629
Merchandise write-down	1,331	485	1,816
Impairment loss on receivables	1,046	343	1,389
Provision for employee benefit obligations	585	171	756
Other provisions	920	458	1,378
Difference arising from social security contributions and employee capital plans	569	171	740
Difference arising from outstanding interest on non-bank borrowing	254	-	254
Other temporary differences	(89)	127	38
Total	11,229	6,458	17,687
Deferred tax liability			
Difference arising from property, plant and equipment and lease liabilities	(7,346)	(2,310)	(9,656)
Discounts/bonuses from suppliers	(12,352)	(10,518)	(22,870)
Other temporary differences	(99)	(6)	(105)
Total	(19,797)	(12,834)	(32,631)
Total deferred tax asset (liability)	(8,568)	(6,376)	(14,944)

10.6. Unrecognised deferred tax assets and unused tax credits

As at the reporting date, the following deferred tax assets were not recognised:

	As at December 31st 2020	Recognised in profit or loss for 2021	As at December 31st 2021
Inventory write-downs recognised/reversed	237	(103)	134
Total	237	(103)	134

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.

11. Earnings per share

	Period ended December 31st 2021	Period ended December 31st 2020
Net profit attributable to owners	186,061	116,064
Weighted average number of shares (thousand)	130,620	130,620
Earnings per share (PLN)	1.42	0.89

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 2021	As at December 31st 2020
-		
Buildings and structures	47,236	44,866
Machinery and equipment	45,435	35,771
Vehicles	11,652	10,261
Other	41,474	34,684
Property, plant and equipment under construction	21,200	5,429
Total carrying amount of property, plant and equipment	166,997	131,011

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

	As at December 31st 2021	As at December 31st 2020
-		
Buildings and structures	44,499	42,675
Machinery and equipment	28,921	23,451
Vehicles	7,464	6,497
Other	24,436	19,926
Property, plant and equipment under construction (i)	17,995	3,524
Total carrying amount of property, plant and equipment under right-of-use arrangements	123,315	96,073

	Period ended December 31st 2021	Period ended December 31st 2020
-		
Buildings and structures	12,019	11,253
Machinery and equipment	4,688	3,280
Vehicles	1,028	1,114
Other	1,113	1,061
Total depreciation of property, plant and equipment under right-of-use arrangements	18,848	16,708

Right-of-use assets are mainly contracts for lease of cars, storage racks, internal transport and handling systems, as well as office space and hardware rental contracts. Items of property, plant and equipment disclosed as used under lease contracts are secured with lessors' rights to leased assets. For information on lease liabilities, see Note 23.

(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 December 31st 2019	59,188	45,765	18,352	41,564	1,043	165,912
Increase						
Purchase	475	1,697	-	1,343	1,594	5,109
Accounting for property, plant and equipment under construction - purchase	-	45	-	2	(47)	-
Leases	7,832	8,828	956	2,487	3,524	23,627
Accounting for property, plant and equipment under construction - leases	-	139	-	541	(680)	-
Other	-	-	-	-	(5)	(5)
Decrease						
Disposal	-	(49)	(106)	(204)	-	(359)
Retirement	-	(42)	(36)	(1)	-	(79)
Other	(152)	(2)	(535)	(1)	-	(690)
Gross carrying amount as at December 31st 2020	67,343	56,381	18,631	45,731	5,429	193,515
Increase						
Purchase	938	5,337	368	2,620	2,697	11,960
Accounting for property, plant and equipment under construction - purchase	-	1,076	-	321	(1,397)	-
Leases	13,843	7,180	3,054	6,824	17,995	48,896
Accounting for property, plant and equipment under construction - leases	-	3,524	-	-	(3,524)	-
Decrease						
Disposal	-	(243)	(674)	(375)	-	(1,292)
Retirement	-	(21)	(110)	(45)	-	(176)
Other	-	-	(47)	-	-	(47)
Gross carrying amount as at December 31st 2021	82,124	73,234	21,222	55,076	21,200	252,856
Accumulated depreciation as at December 31st 2019	10,898	14,956	6,902	8,749	-	41,505
Depreciation in period	11,579	5,742	1,776	2,448	-	21,545
Disposal	-	(47)	(82)	(150)	-	(279)
Retirement	-	(41)	(15)	-	-	(56)
Other	-	-	(211)	-	-	(211)

Accumulated depreciation as at December 31st 2020	22,477	20,610	8,370	11,047	-	62,504
Depreciation in period	12,413	7,345	1,673	2,696	-	24,127
Disposal	-	(156)	(463)	(141)	-	(760)
Retirement	-	-	(33)	-	-	(33)
Other	(2)	-	23	-	-	21
Accumulated depreciation as at December 31st 2021	34,888	27,799	9,570	13,602	-	85,859
Net carrying amount as at December 31st 2020	44,866	35,771	10,261	34,684	5,429	131,011
Net carrying amount as at December 31st 2021	47,236	45,435	11,652	41,474	21,200	166,997

13. Intangible assets

	As at December 31st 2021	As at December 31st 2020
-		
Software	10,130	7,129
Intangible assets under development	10,429	5,591
Total carrying amount of intangible assets	20,559	12,720

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

	As at December 31st 2021	As at December 31st 2020
-		
Software	3,681	644
Total carrying amount of right-of-use intangible assets	3,681	644

	Period ended December 31st 2021	Period ended December 31st 2020
-		
Software	186	133
Total amortisation of right-of-use intangible assets	186	133

Movements in intangible assets	Software	Other intangible assets	Intangible assets under development	Total
Gross carrying amount as at December 31st 2019	15,904	343	3,241	19,488
Increase				
Purchase	2,005	-	4,078	6,083
Accounting for intangible assets under development - purchase	1,728	-	(1,728)	-
Leases	408	-	-	408
Gross carrying amount as at December 31st 2020	20,045	343	5,591	25,979
Increase				
Purchase	546	-	6,137	6,683

Full-year separate financial statements of Auto Partner S.A. for the period January 1st to December 31st 2021
(all amounts in PLN thousand)

Accounting for intangible assets under development - purchase	1,042	-	(1,042)	-
Leases	3,222	-	-	3,222
Other	-	-	(257)	(257)
Gross carrying amount as at December 31st 2021	24,855	343	10,429	35,627
Accumulated amortisation as at December 31st 2019	11,340	343	-	11,683
Amortisation in period	1,576	-	-	1,576
Accumulated amortisation as at December 31st 2020	12,916	343	-	13,259
Amortisation in period	1,809	-	-	1,809
Accumulated amortisation as at December 31st 2021	14,725	343	-	15,068
Net carrying amount as at December 31st 2020	7,129	-	5,591	12,720
Net carrying amount as at December 31st 2021	10,130	-	10,429	20,559

14. Investments in related and other entities

Presented below is key information on equity interests in related entities.

Principal business		Registered office	% ownership interest	
			As at December 31st 2021	As at December 31st 2020
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.

	As at December 31st 2021	As at December 31st 2020
Shares in subsidiaries	931	931
Contributions to limited partnership	29,517	29,517
Shares in other entities	110	110
Total	30,558	30,558

15. Other financial assets

	As at December 31st 2021	As at December 31st 2020
Loans measured at amortised cost		
Loans to related entities	1,454	1,321
Loans to other entities	9	-
Total	1,463	1,321
including:		
Long-term	1,459	-
Short-term	4	1,321
Total	1,463	1,321

On January 11th 2021, the Company entered into an agreement with Global One Automotive GmbH of Frankfurt on extending to it a loan of EUR 525 thousand. The loan bore 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 Purchasing Group (since 2017). The loan was repaid on June 21st 2021.

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

Presented below is key information on loans advanced by the Company to related entities.

	As at December 31st 2021	As at December 31st 2020
On October 24th 2017, the Company advanced a CZK 6,500 thousand loan to its subsidiary AP Auto Partner CZ s.r.o., repayable by December 31st 2022, bearing interest at a fixed rate of 5% <i>per annum</i> . The loan is not secured.	1,454	1,321

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.

	As at December 31st 2021	As at December 31st 2020
Merchandise	657,601	446,292
Write-downs	(10,321)	(7,572)
Total	647,280	438,720

Inventories pledged as security

The Company 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 2021	As at December 31st 2020
-		
Liabilities secured with pledge on inventories	182,743	66,809

Under purchase contracts concluded with certain suppliers, the supplied goods are deemed to become the property of the Company upon payment of the full purchase price. In the opinion of the Management Board of the Company, 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 Company's trade payables.

Change in inventory write-downs

	Period ended December 31st 2021	Period ended December 31st 2020
-		
At beginning of period	7,437	8,875
Decrease	(1,461)	(4,888)
Increase	4,345	3,585
As at end of period	10,321	7,572

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 2021	Period ended December 31st 2020
-		
Cost of sales	(1,629,864)	(1,216,388)
Distribution costs	(4,744)	(5,051)
Total inventory cost recognised	(1,634,608)	(1,221,439)

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

16.2. Right-of-return assets

	As at December 31st 2021	As at December 31st 2020
Right-of-return assets	10,859	10,211

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 Company 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.

17. Trade and other receivables

	As at December 31st 2021	As at December 31st 2020
Trade receivables payable up to 12 months	192,273	113,385
Trade receivables payable in more than 12 months	1,524	1,173
Impairment losses on trade receivables	(6,665)	(5,101)
Total trade receivables	187,132	109,457

Income receivable from participation in Global One purchasing group (i)	21,766	13,075
Impairment loss on income receivable from participation in the Global One purchasing group (i)	(648)	(405)
Lease receivables	217	434
Receivables under share of profit of subsidiary limited partnership	9,176	19,519
Receivables from card and online payment system operators	1,179	1,067
Rent deposits receivable (ii)	1,685	1,459
Other financial receivables (iii)	4,013	2,662
Impairment losses on other receivables	(68)	(882)
Total trade and other financial receivables	224,452	146,386
Prepaid deliveries	4,835	2,145
Receivables on sale of property, plant and equipment	8	1
Prepayments and accrued income	5,279	2,916
VAT tax to be settled in future periods/refunded to bank account	18,991	9,537
Other non-financial receivables	239	309
Total non-financial receivables	29,352	14,908
Total trade and other receivables	253,804	161,294
Other long-term receivables	3,555	2,122
Trade and other receivables	250,249	159,172
Total trade and other receivables	253,804	161,294

(i) Income receivable from 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 Company 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.

(iii) The effect of the presentation change in the statement of financial position for the period ended December 31st 2020 is presented in Note 2.2.

Provided below is the past due information on trade receivables, net of impairment losses:

	As at December 31st 2021	As at December 31st 2020
not past due	156,191	87,317
past due 1-30 days	17,428	10,050
past due 31-90 days	4,242	2,919
past due 91-120 days	1,791	1,359
past due 121-180 days	3,245	2,163
past due 181-360 days	4,119	5,359
over 360 days	116	290
Total trade receivables	187,132	109,457

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

	As at December 31st 2021	As at December 31st 2020
not past due	249	162
past due 1-30 days	54	39
past due 31-90 days	103	98
past due 91-120 days	166	38
past due 121-180 days	300	57
past due 181-360 days	376	482
over 360 days	5,417	4,225
Total impairment losses on trade receivables	6,665	5,101

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

	Period ended December 31st 2021	Period ended December 31st 2020
At beginning of period	882	552
Increase	65	438
Decrease	(879)	(108)
As at end of period	68	882

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 2021	As at December 31st 2020
Receivables pledged as security	72,937	51,484

Lease receivables where the Company acts as the financing party

	As at December 31st 2021	As at December 31st 2020
Lease contract of November 27th 2017 with AP Auto Partner CZ s.r.o. for a period of five years, leased asset: storage racks, principal component: PLN 970 thousand, interest component: PLN 172 thousand. The contract is secured with the right to the leased asset.	212	419
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.	5	15
Total	217	434
Short-term lease receivables	217	236
Long-term lease receivables	-	198
Total	217	434

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

	lease payments		Present value	
	As at December 31st 2021	As at December 31st 2020	As at December 31st 2021	As at December 31st 2020
Up to 1 year	225	258	217	236
From 2 to 5 years inclusive	(2)	203	-	198
	223	461	217	434
Unearned finance income	(6)	(27)	n/a	n/a
Present value of payments	217	434	217	434
Total	217	434	217	434

18. Share capital

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

	As at December 31st 2021	As at December 31st 2020
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 (PLN)	0.10	0.10
Total par value	13,062	13,062

19. Equity, retained earnings and distribution of profit

19.1. Equity

	As at December 31st 2021	As at December 31st 2020
Share capital issued	13,062	13,062
Share premium	106,299	106,299
Capital from issue of warrants	2,103	2,103
Reserve funds from distribution of profit	368,819	265,817
Undistributed profit (loss)	186,061	116,064
Total equity	676,344	503,345

Capital not available for distribution to shareholders

Pursuant to Art. 396.1 of the Commercial Companies Code, which applies to the Company, 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 Company's share capital. That part of the statutory reserve funds is not available for distribution to the shareholders.

	Period ended December 31st 2021	Period ended December 31st 2020
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 2021	As at December 31st 2020
Retained earnings at beginning of reporting period	381,881	265,817
Dividend paid	(13,062)	-
Undistributed profit (loss)	186,061	116,064
Retained earnings at end of reporting period	554,880	381,881

Changes in undistributed profit

	Period ended December 31st 2021	Period ended December 31st 2020
Undistributed profit (loss) at beginning of period	116,064	62,593
Net profit attributable to owners	186,061	116,064
Dividend paid	(13,062)	-
Transfer to statutory reserve funds	(103,002)	(62,593)
Undistributed profit (loss) at end of period	186,061	116,064

19.3. Profit distribution

Allocation of profit for 2020

Net profit for the financial year ended December 31st 2020 was allocated as follows: PLN 13,062 thousand to dividend payment (see Notes 19.2 and 19.3.1), with the balance of profit transferred to statutory reserve funds (see Note 19.2).

19.3.1. Dividend

On March 15th 2021, the Company's Management Board passed a resolution to request the Annual General Meeting to pay dividend from profit for the financial year 2020. Pursuant to the resolution, the Management Board recommended 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. At the meeting on March 30th 2021, the Supervisory Board gave a positive opinion on the request (Resolution No. 3). At its meeting held on May 27th 2021, the Annual General Meeting passed a resolution granting the request, setting June 7th 2021 as the dividend record date. The dividend was paid on June 15th 2021.

Management Board's recommendation on the allocation of the 2021 profit

On March 28th 2021, the Management Board of the Company passed a resolution to propose to the Annual General Meeting a dividend payment for the financial year 2021. Pursuant to the resolution, the Management Board recommends payment of dividend to the Company's shareholders of PLN 19,593,000, i.e. PLN 0.15 per share. The balance of the net profit for the financial year 2021 is recommended to be allocated to statutory reserve funds.

20. Borrowings

	As at December 31st 2021	As at December 31st 2020
Unsecured – at amortised cost		
Borrowings from related entities	28,035	28,035
	28,035	28,035
Secured – at amortised cost		
Overdraft facilities	115,547	-
Bank borrowings	67,196	66,809
	182,743	66,809
Total borrowings	210,778	94,844
Current liabilities (vi)	116,882	68,144
Non-current liabilities	93,896	26,700
Total borrowings	210,778	94,844

Credit facility agreements and non-bank borrowings:

	As at December 31st 2021	As at December 31st 2020
<i>floating interest rate:</i>		
ING Bank Śląski S.A./working capital facility under multi-product facility agreement/sub-limit facility within multi-product facility limit (i)	38,270	-
ING Bank Śląski S.A./working capital facility /sub-limit facility within multi-product facility limit (i)	67,196	66,809
Santander Bank Polska S.A./working capital facility (ii)	20,220	-
mBank S.A./working capital facility (iii)	50,089	-
BNB Paribas Bank Polska S.A./working capital facility (v)	6,968	-
<i>fixed interest rate:</i>		
Shareholder loan agreements (iv)	28,035	28,035
Total	210,778	94,844

(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 147,000 thousand, repayable by October 9th 2024. Within this limit, a sub-limit of PLN 40,000,000.00 was provided to the subsidiary. Security: (a) registered pledge over Auto Partner S.A.'s receivables from domestic customers (balance-sheet item) of up to PLN 225m, (b) registered pledge over inventories of merchandise (car spare parts) owned by Auto Partner S.A., located at ul. Ekonomiczna 20, in Bieruń, Poland, of up to PLN 225m, along with assignment of rights under an insurance policy, (c) declaration on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure of up to PLN 225m,

(d) 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 225m, (e) subordination of loans provided by Katarzyna Górecka and Aleksander Górecki of up to PLN 26,700,000.00.

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

On September 26th 2016, the Company and Bank Zachodni WBK S.A. signed multi-facility agreement No. K00922/16, as amended. The amount of the multi-facility is PLN 40,000 thousand, repayable by March 31st 2023. Under the facility, PLN 40m is available for use as an overdraft facility and PLN 10m for use as guarantees. The facility is secured with: 1) registered pledge over all inventories of merchandise stored at the warehouses specified in the pledge agreement or other locations approved by the Bank, with a minimum value of PLN 60,000,000.00; 2) assignment of receivables to the Bank under the insurance policy covering the pledged assets; 3) subordination to claims under a loan provided by Katarzyna Górecka and Aleksander Górecki, with a minimum amount of PLN 26,000,000.00; 4) registered pledge over trade receivables from trading partners, as per the list attached as an appendix to the pledge agreement, with a minimum amount of PLN 12,000,000.00; 5) declaration on voluntary submission to enforcement of the Bank's claims arising under the agreement, made under Art. 777.1 of the Code of Civil Procedure, to be submitted to the Bank.

(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 50,000,000.00, repayable by September 30th 2022. The credit facility is secured with: (a) a registered pledge over inventories of merchandise with a value of PLN 75m, (b) assignment of rights under an inventory insurance contract for the pledged inventories, (c) declaration on submission to enforcement by the Company under Art. 777.1.5 of the Code of Civil Procedure, up to PLN 75m, (d) subordination of claims under the loans provided by Katarzyna Górecka and Aleksander Górecki of up to PLN 26,000,000.00.

(iv) Shareholder loan

On January 2nd 2014, the Company, Aleksander Górecki and Katarzyna Górecka signed a loan agreement, as amended, with the loan repayable by January 2nd 2024. The loan 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 loan as at December 31st 2021 included interest accrued for the period from January 1st 2021 to December 31st 2021 of PLN 1,335 thousand.

(v) Credit facility agreement – BNP Paribas Bank Polska S.A.

On September 13th 2021, a multi-purpose facility agreement was signed with BNP Paribas Bank Polska S.A. of Warsaw. The Company was granted a multi-purpose facility, including an overdraft facility of up to PLN 20,000,000 (twenty million złoty), to finance the day-to-day operations of Auto Partner S.A., repayable by September 12th 2023. Under the facility, a sub-limit of PLN 20,000,000 (twenty million złoty) was provided to Maxgear Sp. z o.o. Sp.k. Security: 1) declaration by Auto Partner S.A. on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure in respect of contractual payment obligations, for up to PLN 30,000,000.00, with the time limit for filing a request to issue an enforceability order, in substance acceptable to the Bank, set for September 9th 2034; 2) declaration by Maxgear Sp. z o.o. Sp. kom. on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure in respect of contractual payment obligations, for up to PLN 30,000,000.00, with the time limit for filing a request to issue an enforceability order, in substance acceptable to the Bank, set for September 9th 2034; 3) registered pledge with the maximum security amount of PLN 30,000,000.00 over inventories of merchandise held by Auto Partner S.A. in its own and leased locations (not encumbered in favour of another pledgee), in accordance with a separate pledge agreement, with a total value of not less than PLN 24,000,000.00. Until the pledge is created, security in the form of assignment in favour of the Bank of the assets subject to the future pledge will remain in effect; 4) assignment of rights under an insurance policy in favour of the Bank in respect of the pledged assets, with the proviso that the sum insured may not be less than PLN 20,000,000.00; 5) agreement on subordination of the loan provided by Aleksander Górecki and Katarzyna Górecka under an agreement of January 2nd 2014 of up to PLN 26,000,000.00 to the facility.

(vi) the Company discloses all overdraft facilities as current liabilities, regardless of the contract facility term.

21. Provisions

	As at December 31st 2021	As at December 31st 2020
Provisions for warranty repairs (i)	3,802	2,168
Other provisions (ii)	6,044	126
	9,846	2,294
Short-term provisions	9,846	2,294
Total	9,846	2,294

(i) In accordance with the applicable laws, the Company provides consumer warranty for the goods sold. Under the warranty, the Company must replace defective goods or return cash. The Management Board of the Company estimated future warranty costs and recognised appropriate provisions. In the reporting period, the Company's Management Board changed their presentation – for details, see Note 2.2.

(ii) Including: the tax risk provision of PLN 2,656 thousand. In December 2021, the Company was notified of the findings of a customs and tax inspection carried out by relevant authorities under the Value Added Tax Act of March 11th 2004. The result was an additional tax expense for the Company of PLN 423 thousand in respect of the period under review, i.e. January 1st 2017 – June 30th 2017, and additional interest expense of PLN 154 thousand. Seeking to have the inspection promptly concluded and to focus on operating activities, since those amounts did not represent a significant charge on the Company's profit or loss in 2021, the Company decided to submit corrected VAT returns for the period under review. Based on the prudence principle, the Company estimated a provision for potential risks related to future accounting periods, i.e. from July 1st 2017 to the reporting date. The balance is PLN 3,388 thousand, representing a provision for distribution and marketing costs.

22. Trade and other payables

22.1. Trade and other payables

	As at December 31st 2021	As at December 31st 2020
Trade payables due in up to 12 months	66,601	71,355
Taxes, customs duties, social security and other benefits payable	1,176	1,029
Liabilities arising from acquisition of property, plant and equipment and intangible assets	1,458	1,453
Other liabilities	150	71
	69,385	73,908
Current liabilities	69,385	73,908
Total	69,385	73,908

The average payment period is 30-40 days. The Company has financial risk management policies in place to ensure timely payment of liabilities.

22.2. Contract and right-of-return liabilities

	As at December 31st 2021	As at December 31st 2020
Contract liabilities	413	351
Right-of-return liabilities (i)	15,180	12,864
Total	15,593	13,215

(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 Company 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 facilities, equipment, hardware and vehicles).

	As at December 31st 2021	As at December 31st 2020
Total payments under lease contracts		
Up to 1 year	35,118	29,249
From 1 year to 5 years	66,070	52,843
Over 5 years	9,318	7,311
	110,506	89,403
Less future finance charges	(6,900)	(6,221)
Present value of lease liabilities	103,606	83,182
Current lease liabilities	32,331	26,464
Non-current lease liabilities	71,275	56,718
Total	103,606	83,182

	As at December 31st 2021	As at December 31st 2020
Present value of lease liabilities		
Up to 1 year	34,144	26,464
From 1 year to 5 years	60,543	49,786
Over 5 years	8,919	6,932
Total	103,606	83,182

IFRS 16 provides for exceptions to the lessee's general lease model for short-term leases and leases of low-value assets. In such cases, the Company does not recognise any right-of-use assets or lease liabilities. Provided below are the amounts expensed:

	Period ended December 31st 2021	Period ended December 31st 2020
Cost of short-term leases (i)	8,278	7,099
Cost of leases not disclosed due to the low value of underlying assets (ii)	1,024	759
Total	9,302	7,858

(i) The Company applies a practical expedient to short-term leases in the case of property lease contracts made for an indefinite period which may be terminated on a short notice, that is up to 12 months, which do not involve any special space adaptation or material barriers to exit, i.e. penalties for early termination of the contract, and the Company has the practical ability to lease such space on the market. Costs of some of the lease contracts are also re-charged to the cooperating affiliates.

(ii) The Company applies a practical expedient to leases of low-value assets, mainly small office equipment, such as printers, payment terminals, waste containers, etc.

For disclosures relating to depreciation of property, plant and equipment and amortisation of right-of-use intangible assets, see Notes 12 and 13. For information on the amount of interest, see Note 9.

24. Notes to the statement of cash flows

24.1. Components of cash

	As at December 31st 2021	As at December 31st 2020
Cash in hand	960	915
Cash at banks	10,321	9,968
Cash in transit	2,641	2,239
Other cash	-	4
Total cash and cash equivalents in the statement of financial position	13,922	13,126
Effect of exchange rate movements on net cash in foreign currencies	(156)	165
Total cash and cash equivalents in the statement of cash flows	14,078	12,961
in PLN	3,755	4,978
in other currencies (including measurement)	10,167	8,148
Total	13,922	13,126
<i>including restricted cash - Split Payment accounts</i>	86	248

24.2. Reconciliation of changes in cash flow items

	Period ended December 31st 2021	Period ended December 31st 2020
Current income tax recognised in the statement of comprehensive income	(36,691)	(26,480)
Income tax relating to prior periods recognised in the statement of comprehensive income	-	(33)
Change in current tax assets	-	151
Change in current tax liabilities	22,309	1,415
Other	(1)	-
Income tax paid	(14,383)	(24,947)
Change in trade and other receivables	101,439	15,602
Change in long-term receivables	1,631	201
Adjustment for change in receivables under share of profit of subsidiary	(10,343)	1,205
Adjustment for change in lease receivables	(218)	(205)
Adjustment for change in receivables from sale of non-current assets	1	(7)
Change in trade and other receivables	92,510	16,796
Gain on shares in subsidiary at beginning of period	19,519	18,314
Adjustment for change in receivables under share of profit of subsidiary	(10,343)	1,205
Gain on shares in subsidiary at end of period	9,176	19,519
Loans	2,394	-
Repayment of loans	(2,391)	-
Interest accrued	105	57
Interest received	(42)	-
Adjustment for change in exchange differences arising from measurement	76	55

Change in non-current and current financial assets	142	112
Proceeds from borrowings	115,387	-
Repayment of borrowings	-	(75,379)
Adjustment for change in interest accrued and credit commissions	547	701
Change in borrowings	115,934	(74,678)
Lease contracts made	52,047	23,884
Payment of lease liabilities	(29,156)	(24,941)
Adjustment for change in prepayments under lease contracts	(1,656)	-
Adjustment for change in exchange differences arising from measurement	(705)	2,561
Other adjustments	(106)	(260)
Change in lease liabilities	20,424	1,244
Payment of factoring liabilities	-	(3,574)
Payment of reverse factoring liabilities	-	(14,375)
Adjustment for change in exchange differences arising from measurement	-	29
Change in factoring liabilities	-	(17,920)
Credit interest and commissions paid	(2,254)	(2,583)
Factoring interest and commissions paid	(60)	(192)
Interest paid on leases	(2,837)	(3,389)
Interest paid on non-bank borrowing	(1,029)	(1,335)
Interest and commissions paid	(6,180)	(7,499)

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

25.1. Employee benefit obligations and provisions

	As at December 31st 2021	As at December 31st 2020
Salaries and wages payable	7,364	5,590
Social security and Employee Capital Plan obligations	7,264	5,641
Provision for accrued holiday entitlements (iii)	3,368	2,549
Provision for retirement and disability benefit obligations (iii)	609	530
Provision for obligations under the Incentive Scheme for 2020 (i)	-	3,476
Provision for obligations under the Incentive Scheme for 2021 (ii)	1,440	-
Obligation under the Incentive Scheme for 2020 (i)	1,043	-
Obligation under the Incentive Scheme for 2019 (i)	134	404
	21,222	18,190
Long-term employee benefit obligations and provisions	887	1,654
Short-term employee benefit obligations and provisions	20,335	16,536
Total	21,222	18,190

(i) 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 are 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, 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, paid in the following instalments: PLN 472,000 in 2020; PLN 135,000 in 2021; PLN 67,000.00 in 2022.

On May 28th 2021, the Supervisory Board of the Company – acting pursuant to Section 5 of the Remuneration Policy for members of the Management Board and Supervisory Board of Auto Partner S.A. adopted by the General Meeting on June 19th 2020, and pursuant to Section 5.3 of the Rules of the Incentive Scheme for members of the Auto Partner S.A. Management Board adopted by a resolution of the Supervisory Board on April 9th 2019 (the “Rules”), and based on the data contained in the audited consolidated financial statements of the Auto Partner Group for 2020 that were approved by the Annual General Meeting on May 27th 2021, and the verification of delivery of the business targets provided for in the Rules – decided to grant the following bonuses for 2020 to the Incentive Scheme participants 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 was granted a bonus of PLN 1,738,000, to be paid in accordance with the Rules in the following instalments: PLN 1,216,600 in 2021, PLN 347,600 in 2022, and PLN 173,800 in 2023; Andrzej Manowski, Vice President of the Management Board, was granted a bonus of PLN 1,738,000, to be paid in accordance with the Rules in the following instalments: PLN 1,216,600 in 2021, PLN 347,600 in 2022, and PLN 173,800 in 2023.

(ii) On September 10th 2021, the parent’s Supervisory Board passed a resolution to approve the rules of awarding an incentive bonus to members of the Management Board of Auto Partner S.A. for 2021. In connection with early delivery of the 2019–2021 targets set in the Rules of the Incentive Scheme of April 9th 2019, approved by Resolution No. 3 of the Company’s Supervisory Board of April 3rd 2019, in order to ensure continuity of the incentive system for members of the Management Board of Auto Partner S.A. in 2021, with the aim of the scheme being to establish mechanisms to encourage activities that will ensure long-term growth of the shareholder value, reduce turnover of the Company’s management staff, and reward their contribution to the shareholder value growth, the Supervisory Board approved the 2021 terms and conditions for awarding an incentive bonus to Andrzej Manowski, Vice President of the Management Board, of Piotr Janta, Vice President of the Management Board, linked to the amount of consolidated net profit of the Auto Partner Group for the financial year 2021. The total amount of bonuses paid in accordance with the rules set out in the Supervisory Board’s resolution will not exceed PLN 1,440,000 (one million, four hundred and forty thousand złoty).

(iii) The Company 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.

The table below shows changes in provisions:

	Period ended December 31st 2021	Period ended December 31st 2020
(Recognition) reversal of provision		
Provision for accrued holiday entitlements	(819)	(856)
Provision for retirement and disability benefit obligations	(79)	(82)
Provision for obligations under the Incentive Scheme for 2019	270	363
Provision for obligations under the Incentive Scheme for 2020	2,433	(3,476)
Provision for obligations under the Incentive Scheme for 2021	(1,440)	-
Total	365	(4,051)

25.2. Defined contribution plans

Pursuant to the Act on Social Insurance System of October 13th 1998, the Company's employees are covered by state plans. The Company 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 Company 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 2021	Period ended December 31st 2020
Social security contributions financed by the employer, expensed of which unpaid premiums (i)	(22,841) 4,067	(17,686) 3,080

(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.

25.3. Employee capital plans

Pursuant to the Act on Employee Capital Plans of October 4th 2018, the Company 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 2021	Period ended December 31st 2020
Expensed contributions of which unpaid premiums (i)	(414) 74	(331) 59

(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. Financial instruments

	As at December 31st 2021	As at December 31st 2020
Financial assets		
Measured at fair value through profit or loss:	-	-
<i>Held for trading</i>	-	-
<i>Classified for measurement at fair value through profit or loss:</i>	-	-
Measured at amortised cost:	239,620	160,399
<i>Cash</i>	13,922	13,126
<i>Trade and other financial receivables</i>	215,059	126,433
<i>Share of profit receivables</i>	9,176	19,519
<i>Loans</i>	1,463	1,321
Measured at fair value through other comprehensive income	-	-
Financial receivables excluded from the scope of IFRS 9 – finance lease receivables	217	434
Financial receivables excluded from the scope of IFRS 9 – shares	30,558	30,558
Financial liabilities		
Measured at fair value through profit or loss:	-	-
<i>Held for trading</i>	-	-
<i>Classified for measurement at fair value through profit or loss:</i>	-	-
<i>Hedging derivatives</i>	-	-
Measured at amortised cost:	279,250	168,003
<i>Trade payables</i>	66,601	71,355
<i>Contract liabilities</i>	413	351
<i>Liabilities arising from acquisition of property, plant and equipment and intangible assets</i>	1,458	1,453
<i>Borrowings</i>	210,778	94,844
Non-IFRS 9 financial liabilities – finance lease liabilities	103,606	83,182

Fair value

The Company recognises 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 ended December 31st 2020 the Company entered into currency forwards, but there were no open forward positions as at December 31st 2020. In the reporting period ended December 31st 2021, the Company did not enter into any currency forwards.

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

27. Financial risk management

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

Capital management

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

The Company 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 Company's share capital. That part of statutory reserve funds (retained earnings) is not available for distribution to shareholders.

	Period ended December 31st 2021	Period ended December 31st 2020
Share capital	13,062	13,062
Statutory reserve funds created to cover losses in accordance with the Commercial Companies Code	4,354	4,354

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 Company analyses its capital position using the ratio calculated as total liabilities to equity disclosed in the statement of financial position.

	As at December 31st 2021	As at December 31st 2020
Total liabilities	469,098	295,616
Equity	676,344	503,345
Debt to equity ratio	0.69	0.59

Credit risk

Credit risk at the Company 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 Company. As a rule, the Company only trades with customers with proven creditworthiness; if necessary, the Company takes appropriate security to reduce the risk of incurring financial losses due to the customer's default. The Company uses financial information available in the public domain and its own transaction data to assess the creditworthiness of its main customers. The Company's exposure to credit risk is constantly monitored. Trade receivables include amounts due from a large number of customers. Therefore, the Company 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 Company additionally takes out insurance to cover primarily a specific portfolio of receivables from its foreign customers, but also receivables from its large domestic customers. Such insurance is taken out for annual settlement periods.

The Company recognises impairment losses on receivables using a matrix based on historical data, showing what percentage of receivables from a given ageing group were not finally collected. The Company recognises an impairment loss for the full amount of a trade receivable if it is past due by more than 360 days. For information on the method of calculating impairment losses on receivables, see Note 4 to these financial statements.

Cash is invested domestically and internationally with banks of recognised standing.

Interest rate risk

The Company is exposed to interest rate risk. The Company manages this risk by contracting both fixed- and floating-rate borrowings and leases. In the reporting period, the Company did not enter into any transactions to hedge its interest rate risk.

As at the reporting date, the Company's entire debt bearing interest at floating rates was linked to WIBOR. The Company does not have any outstanding debt in foreign currencies. Occasionally and for short terms, it did have relatively small debt in the euro, bearing interest at a floating rate linked to EURIBOR.

The Company's debt includes predominantly interest-bearing debt at floating rates. Presented below is the structure of floating-rate financial instruments:

	As at December 31st 2021	As at December 31st 2020
Cash at banks	10,321	9,968
Liabilities under bank borrowings	(182,743)	(66,809)
Lease liabilities	(47,146)	(25,510)
Variable rate financial assets and liabilities	(219,568)	(82,351)

Presented below is the sensitivity of the Company's net profit or loss to possible changes in interest rates, all other factors being equal. The data shows the effect of basis points on the Company's full-year net profit or loss:

Change in financial assets and liabilities	(2,196)	(824)
Effect on profit before tax	(2,196)	(824)
Tax effect	417	157
Effect of 100 bps increase in interest rate on net profit	(1,779)	(667)
Change in financial assets and liabilities	2,196	824
Effect on profit before tax	2,196	824
Tax effect	(417)	(157)
Effect of 100 bps decrease in interest rate on net profit	1,779	667

Currency risk

The Company enters into certain transactions denominated in foreign currencies, and thus it is exposed to the risk of exchange rate fluctuations. In the reporting period, the Company used derivative instruments to hedge against the currency risk. The Company 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 Company are purchases of goods in the euro, and sales of goods in the euro, the Czech koruna, the Hungarian forint and the Romanian leu.

The table below presents the Company's sensitivity to 5%/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 5%/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.

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

Full-year separate financial statements of Auto Partner S.A. for the period January 1st to December 31st 2021
(all amounts in PLN thousand)

As at December 31st 2021	EUR	CZK	HUF	RON	other
Trade receivables	59,959	14,400	1,386	1,810	(37)
Cash	7,711	1,209	893	259	96
Loans	-	1,454	-	-	-
Trade payables	(28,547)	(443)	(38)	(38)	(101)
Lease liabilities	(37,345)	-	-	-	-
Gross exposure	1,778	16,620	2,241	2,031	(42)

Exchange rate increase +5%

Profit (loss) before tax	89	831	112	102	(2)
Tax effect	(17)	(158)	(21)	(19)	-
Effect on net profit (loss)	72	673	91	82	(2)

Exchange rate decrease -5%

Profit (loss) before tax	(89)	(831)	(112)	(102)	2
Tax effect	17	158	21	19	-
Effect on net profit (loss)	(72)	(673)	(91)	(82)	2

Exchange rate increase +10%

Profit (loss) before tax	178	1,662	224	203	(4)
Tax effect	(34)	(316)	(43)	(39)	1
Effect on net profit (loss)	144	1,346	182	165	(3)

Exchange rate decrease -10%

Profit (loss) before tax	(178)	(1,662)	(224)	(203)	4
Tax effect	34	316	43	39	(1)
Effect on net profit (loss)	(144)	(1,346)	(182)	(165)	3

As at December 31st 2020	EUR	CZK	HUF	RON	other
Trade receivables	22,774	13,280	1,775	1,256	-
Cash	4,800	1,205	1,579	504	59
Loans	-	1,321	-	-	-
Trade payables	(43,135)	-	-	-	(196)
Lease liabilities	(48,921)	-	-	-	-
Gross exposure	(64,482)	15,806	3,354	1,760	(137)

Exchange rate increase +5%

Profit (loss) before tax	(3,224)	790	168	88	(7)
Tax effect	613	(150)	(32)	(17)	-
Effect on net profit (loss)	(2,612)	640	136	71	(7)

Exchange rate decrease -5%

Profit (loss) before tax	3,224	(790)	(168)	(88)	7
Tax effect	(613)	150	32	17	-
Effect on net profit (loss)	2,612	(640)	(136)	(71)	7

Exchange rate increase +10%

Profit (loss) before tax	(6,448)	1,581	335	176	(14)
Tax effect	1,225	(300)	(64)	(33)	3
Effect on net profit (loss)	(5,223)	1,280	272	143	(11)

Exchange rate decrease -10%

Profit (loss) before tax	6,448	(1,581)	(335)	(176)	14
Tax effect	(1,225)	300	64	33	(3)
Effect on net profit (loss)	5,223	(1,280)	(272)	(143)	11

Changes in the exchange rates of currencies other than EUR have no material effect on the Company's profit. The Company's sensitivity to currency risk was further significantly reduced thanks to rapid growth of export sales denominated in the euro, leading to practically no net exposure of the Company 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 Company 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 Company had the following undrawn amounts of credit and factoring facilities as at the reporting dates indicated:

	As at December 31st 2021	As at December 31st 2020
Factoring agreements:		
Limit	10,000	15,000
including:		
Amount used	-	-
Amount available	10,000	15,000
Secured bank financing:		
Limit	257,000	182,875
including:		
Amount used	182,743	66,809
Amount used by subsidiary	52,030	8,438
Amount available	22,227	107,628

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

As at the end of the reporting period, the Company held highly liquid assets disclosed in the statement of financial position as cash of PLN 13,992 thousand. (December 31st 2020: PLN 12,878 thousand), which can be used at any time in managing the liquidity risk.

The table below presents the contractual maturities of the Company's liabilities as at December 31st, 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 Company.

	Note	Carrying amount	Value of cash flows	<=30 days	31-90 days	91-365 days	1-5 years	> 5 years
As at December 31st 2020								
Bank borrowings (other than overdraft facilities)	20	66,809	68,278	333	212	67,733	-	-
Overdraft facilities	20	-	-	-	-	-	-	-
Non-bank borrowings	20	28,035	32,040	-	1,335	1,335	29,370	-
Lease liabilities	23	83,182	89,403	2,372	4,771	22,106	52,843	7,311
Trade payables	22	71,355	71,355	6,736	64,386	233	-	-
Other liabilities	22	2,553	2,553	2,553	-	-	-	-
		251,934	263,629	11,994	70,704	91,407	82,213	7,311
As at December 31st 2021								
	Note	Carrying amount	Value of cash flows	<=30 days	31-90 days	91-365 days	1-5 years	> 5 years

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(all amounts in PLN thousand)

Bank borrowings (other than overdraft facilities)	20	67,196	72,345	307	1,413	70,625	-	-
Overdraft facilities	20	115,547	115,547	-	-	50,089	65,458	-
Non-bank borrowings	20	28,035	30,705	-	1,335	1,335	28,035	-
Lease liabilities	23	103,606	110,506	2,759	5,564	26,795	66,070	9,318
Trade payables	22	66,601	66,601	59,858	6,743	-	-	-
Other liabilities	22	2,784	2,784	2,335	449	-	-	-
		383,769	398,488	65,259	15,504	148,844	159,563	9,318

The amounts of floating-rate financial liabilities may change in the event of interest rate movements.

28. Related-party transactions

All transactions with related parties are made on an arm's length basis. The Company enters into transactions with its related entities, members of its Management Board, entities related to members of its Supervisory Board and Management Board and members of their families. The values of those transactions are presented below.

Transactions with related entities

	Period ended December 31st 2021	Period ended December 31st 2020
Sales of goods and services and other income		
Maxgear Sp. z o.o. Sp. komandytowa	5,127	4,473
<i>including:</i>		
<i>sales of goods</i>	12	18
<i>sales of services</i>	4,721	4,149
<i>re-charge of costs</i>	394	306
AP Auto Partner CZ s.r.o.	15,246	11,919
<i>including:</i>		
<i>sales of goods</i>	15,059	11,760
<i>sales of services</i>	150	137
<i>re-charge of costs</i>	37	22
Total	20,373	16,392

	Period ended December 31st 2021	Period ended December 31st 2020
Finance income		
Maxgear Sp. z o.o. Sp. komandytowa	9,244	19,549
<i>including:</i>		
<i>share of profit</i>	<i>9,176</i>	<i>19,519</i>
<i>corporate surety</i>	<i>68</i>	<i>30</i>
AP Auto Partner CZ s.r.o.	80	91
<i>including:</i>		
<i>interest on loan advanced</i>	<i>59</i>	<i>57</i>
<i>interest on finance lease</i>	<i>21</i>	<i>34</i>
Total	9,324	19,640

	Period ended December 31st 2021	Period ended December 31st 2020
Finance costs		
Maxgear Sp. z o.o. Sp. komandytowa	(415)	(383)
<i>including:</i>		
<i>corporate surety</i>	<i>(415)</i>	<i>(383)</i>
Total	(415)	(383)

	Period ended December 31st 2021	Period ended December 31st 2020
Purchase of goods and other purchases		
Maxgear Sp. z o.o. Sp. komandytowa	321,302	234,770
<i>including:</i>		
<i>purchase of goods</i>	<i>321,302</i>	<i>234,770</i>
Total	321,302	234,770

	As at December 31st 2021	As at December 31st 2020
Receivables		
Maxgear Sp. z o.o. Sp. komandytowa	10,845	21,163
<i>including:</i>		
<i>trade receivables</i>	<i>1,669</i>	<i>1,644</i>
<i>share of profit receivables</i>	<i>9,176</i>	<i>19,519</i>
AP Auto Partner CZ s.r.o.	12,946	13,618
<i>including:</i>		
<i>trade receivables</i>	<i>11,280</i>	<i>11,878</i>
<i>finance lease receivables</i>	<i>212</i>	<i>419</i>
<i>loan receivables</i>	<i>1,454</i>	<i>1321</i>
Total	23,791	34,781

	As at December 31st 2021	As at December 31st 2020
Liabilities		
Maxgear Sp. z o.o. Sp. komandytowa	1,416	12,803
<i>including:</i>		
<i>trade payables</i>	<i>1,416</i>	<i>12,803</i>
Total	1,416	12,803

*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.*

	Period ended December 31st 2021	Period ended December 31st 2020
Sales of goods and services and other income		
entities related to members of the Management Board and the Supervisory Board	216	171
<i>including:</i>		
<i>sales of goods</i>	<i>27</i>	<i>13</i>
<i>re-charge of costs</i>	<i>189</i>	<i>158</i>
members of management boards of subsidiaries	16	10
<i>including:</i>		
<i>sales of goods</i>	<i>2</i>	<i>2</i>
<i>re-charge of costs</i>	<i>14</i>	<i>8</i>
Total	232	181

	Period ended December 31st 2021	Period ended December 31st 2020
Purchase of goods and services and other purchases		
entities related to members of the Management Board and the Supervisory Board	1,353	949
<i>including:</i>		
<i>purchase of services</i>	<i>1,353</i>	<i>949</i>
members of management boards of subsidiaries	138	75
<i>including:</i>		
<i>purchase of services</i>	<i>138</i>	<i>75</i>
Total	1,491	1,024

	As at December 31st 2021	As at December 31st 2020
Receivables		
entities related to members of the Management Board and the Supervisory Board	5	4
members of management boards of subsidiaries	2	3
Total	7	7

	As at December 31st 2021	As at December 31st 2020
Liabilities		
entities related to members of the Management Board and the Supervisory Board	-	100
members of management boards of subsidiaries	7	8
Total	7	108

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

	Period ended December 31st 2021	Period ended December 31st 2020
Sales of goods and services and other income		
Management Board members	29	34
<i>including:</i>		
<i>re-charge of costs</i>	29	34
Total	29	34

	As at December 31st 2021	As at December 31st 2020
Receivables		
Management Board members	217	46
Total	217	46

	Period ended December 31st 2021	Period ended December 31st 2020
Salaries		
Management Board members	2,011	4,044
Supervisory Board	119	86
Total	2,130	4,130

	Period ended December 31st 2021	Period ended December 31st 2020
Obligation under the Incentive Scheme		
Management Board members (Note 25)	1,177	404
Total	1,177	404

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

	As at December 31st 2021	As at December 31st 2020
Non-bank borrowings		
Borrowing from shareholder being also a member of the Management Board (Note 20)	28,035	28,035
Total	28,035	28,035

	Period ended December 31st 2021	Period ended December 31st 2020
Finance costs		
Interest expense recognised	(1,335)	(1,335)
Total	(1,335)	(1,335)

29. 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
- EUR 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
- EUR 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.
- EUR 213 thousand bank guarantee No. DOK4042GWB21KW of October 13th 2021, provided in connection with a contract for rent of property in Poznań, valid from June 30th 2022 to June 29th 2025, granted within credit limit of the facility provided by Santander Bank Polska S.A.

Insurance policies

The Company 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 Company will receive relevant compensation from the insurer.

The Company took out insurance against the credit risk of some of its domestic and foreign customers. Under the policy, the Company 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. Tax authorities have the right to carry out inspections within five years of the end of a year in which a tax return is submitted, and to impose additional tax liabilities, including interest and penalties. The Company was subject to inspections by tax authorities. In the Management Board's opinion, there were no circumstances which could lead to material liabilities being imposed as a consequence of such inspections.

Undisclosed liabilities under contracts

The Company entered into contracts which will be 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 2021. Assets covered by the contracts include a storage

racking system, vehicles, hardware and property lease. *Presented below are future cash flows under contracts made as at December 31st 2021:*

Value of future lease liabilities	48,007
Less future finance charges (discount)	(6,926)
Present value of future lease liabilities	41,081

30. 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:

	Period ended December 31st 2021	Period ended December 31st 2020
Audit of full-year financial statements	129	163
Review of financial statements	58	58
Total auditor fees	187	221

31. Headcount at the Company

	As at December 31st 2021	As at December 31st 2020
Management and administration	113	108
Sales and marketing	855	774
Logistics and storage	1,154	882
Total (persons)	2,122	1,764

32. Events subsequent to the reporting date

1) On January 11th 2022, the Company entered into an agreement with Global One Automotive GmbH of Frankfurt whereby it advanced a EUR 750 thousand loan to Global One. The loan bears interest at 4.5%. The agreement was concluded for a definite term until June 30th 2022. The Company holds 6.25% of shares in Global One Automotive GmbH as a participant in the International Purchasing Group (since 2017).

2) On January 24th 2022, a revolving credit facility agreement was executed with BNP Paribas Bank Polska S.A. of Warsaw. Under the agreement, a credit facility of PLN 25,000,000.00 (twenty-five million złoty) was advanced to finance the Company day-to-day operations, repayable by September 12th 2023. The credit facility is secured

with: 1) a registered pledge with the maximum security amount of PLN 37,500,000.00 over inventories of the borrower's merchandise held at the borrower's branches, 2) the borrower's declaration on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure in respect of the contractual payment obligations, for up to PLN 37,500,000.00, with the time limit for filing a request to issue an enforceability order, in substance acceptable to the Bank, set for January 30th 2023, 3) assignment of rights under an insurance contract for the pledged inventories in favour of the Bank, with the proviso that the sum insured may not be less than PLN 25,000,000.00, 4) an agreement on subordination of claims under the loans provided to the borrower by Katarzyna Górecka and Aleksander Górecki to the credit facility.

3) On January 29th 2022, the Company executed an amendment to the multi-facility agreement with Santander Bank Polska Spółka Akcyjna of Warsaw of September 26th 2016. Under the amendment, the multi-facility limit was increased from PLN 40,000,000.00 up to a maximum amount of PLN 65,000,000 by adding a new revolving facility sub-limit of PLN 25,000,000 to finance the Company's day-to-day **operations**.

4) On March 2nd 2022, the Company executed an amendment to reverse factoring agreement No. 3662/6050/2019 of March 29th 2019, under which its effective period was extended to March 31st 2023.

5) On March 15th 2022, the Company executed an amendment to the multi-purpose facility agreement of September 13th 2021 with BNP Paribas S.A. Under the amendment, the multi-purpose facility limit (including an overdraft facility) was increased up to a maximum amount of PLN 30,000,000 to finance the Company's day-to-day operations.

6) On March 29th 2022, the Company executed an amendment to Multi-Product Facility Agreement No. 882/2015/00000925/00 of October 19th 2015, whereby the facility limit was increased to PLN 177,000,000.00, repayable by October 10th 2024. Security: (a) registered pledge over Auto Partner S.A.'s receivables from domestic customers (balance-sheet item) of up to PLN 270m, (b) registered pledge over inventories of merchandise (spare car parts) owned by Auto Partner S.A., located at ul. Ekonomiczna 20, in Bieruń, Poland, of up to PLN 270m, (c) assignment of rights under the insurance policy covering the pledged inventories, (d) declaration on voluntary submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure of up to PLN 270m, (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 270m, (f) subordination of borrowings obtained from Katarzyna Górecka and Aleksander Górecki of up to PLN 26,700,000.00.

33. Impact of the COVID-19 pandemic on the Company's business

As at the issue date of this report, the Company did not identify any complications in the conduct of its business. However, given the continuing pandemic, as the main risk factors resulting from the epidemic and the measures taken to bring it to an end, the Company identifies the risk of reduced purchasing power of consumers and a decrease in consumers' mobility as a result of travel restrictions, as well as the risk of obstacles at country borders, which may affect transport to foreign customers. 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 Company'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 Company's results. Further development of the pandemic is highly unpredictable, and therefore the situation may change in the coming quarters.

34. Impact of the Russian Federation's military invasion of Ukraine on the Company's business

Following the Russian invasion of Ukraine launched on February 24th 2022, the Management Board assessed the impact of this event on its operations, business continuity, financial condition and going concern assumption. The Company's exposure to the Ukrainian market is negligible, accounting for less than 0.5% of its monthly revenue. To manifest solidarity with Ukraine, the Company suspended its business on the Russian and Belarusian markets, closed all representative offices and discontinued the export of aftermarket parts to both Russia and Belarus. The Company's exports to the Russian and Belarusian markets account for 0.1% and 0.02%, respectively, of its monthly revenue. However, the Management Board notes that the event's impact on the overall economic situation may require revision of certain assumptions and estimates in the future. This, in turn, may necessitate significant adjustments to the carrying amounts of certain assets and liabilities in the next financial year. At present, given the continuing high uncertainty about how the situation will develop, the Management Board is not able to reliably estimate its impact on the Company's performance. The situation is highly unpredictable and therefore the current expectations may change in the coming quarters. In the long term, the situation may also affect the Group's trading volumes, cash flows and profitability. As at the date of signing these financial statements, the situation in Ukraine did not have a material impact, whether direct or indirect, on the Company's operations, business continuity and financial condition. Moreover, the Management Board identified no threat to the Company's ability to continue as a going concern and no need to adjust its financial statements for 2021. The Management Board is monitoring the situation to the extent it could potentially affect the Company's business.

35. Authorisation of the full-year separate financial statements for issue

The Company's separate financial statements were authorised for issue by the Management Board on April 11th 2022.

Signatures of Management Board Members

Aleksander Górecki – President of the Management Board

Andrzej Manowski – Vice President of the Management Board

Piotr Janta – Vice President of the Management Board

Signature of the person responsible for accounting records

Kamila Obłodecka Pieńkosz – Chief Accountant