Consolidated financial statements of the Auto Partner Group for the year ended 31 December 2023, prepared in accordance with International Financial Reporting Standards endorsed by the European Union

AUTOPARTNER

The document is a PDF copy of the official consolidated financial statements for the financial year 2023, prepared and published in XHTML format. In the event of any doubt or discrepancy, the XHTML version will take precedence.

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(all amounts in PLN thousands, unless stated otherwise)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Period ended 31 December 2023	Period ended 31 December 2022
STATEMENT OF PROFIT OR LOSS			
Revenue from contracts with customers	3	3,653,384	2,834,701
Cost of sales	4	(2,663,505)	(1,987,689)
Gross profit		**989,879**	**847,012**
Distribution costs and marketing expenses	4	(402,825)	(332,198)
Warehousing costs	4	(242,333)	(180,344)
Management and administrative expenses	4	(47,185)	(50,096)
Other gains (losses), net	5	5,194	(2,478)
Other income		1,000	740
Other expenses		(1,006)	(1,267)
Operating profit		**302,724**	**281,369**
Finance income	6	4,147	257
Finance costs	7	(29,616)	(25,199)
Profit before tax		**277,255**	**256,427**
Income tax	8	(53,669)	(49,159)
Profit from continuing operations		**223,586**	**207,268**
Net profit		**223,586**	**207,268**
OTHER COMPREHENSIVE INCOME			
Exchange differences on translation of foreign operations		(625)	(347)
Other comprehensive income that will be reclassified to profit or loss, after tax		**(625)**	**(347)**
Other comprehensive income, net		**(625)**	**(347)**
TOTAL COMPREHENSIVE INCOME		**222,961**	**206,921**
Net profit attributable to:			
owners of the parent		223,586	207,268
non-controlling interests		-	-
Total comprehensive income attributable to:			
owners of the parent		222,961	206,921
non-controlling interests		-	-
Earnings per share (PLN per share)			
basic earnings per share from continuing operations (PLN)		1.71	1.59
basic earnings per share (PLN)	9	**1.71**	**1.59**
diluted earnings per share from continuing operations (PLN)		1.71	1.59
diluted earnings per share (PLN)	9	**1.71**	**1.59**

(all amounts in PLN thousands, unless stated otherwise)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December 2023	As at 31 December 2022
ASSETS			
Non-current assets			
Intangible assets	11	34,944	27,043
Property, plant and equipment	10	331,960	251,080
Investments in other entities	12	110	110
Other long-term receivables	15	4,494	4,299
Deferred tax assets	8	1,034	2,158
Total non-current assets		**372,542**	**284,690**
Current assets			
Inventories	14.1	1,006,367	955,730
Contract asset	14.2	19,366	13,584
Trade and other receivables	15	357,031	281,343
Other financial assets	13	-	4
Current tax assets	8	1,257	-
Cash and cash equivalents	21.1	37,360	34,931
Total current assets		**1,421,381**	**1,285,592**
Total assets		**1,793,923**	**1,570,282**
EQUITY AND LIABILITIES			
Equity			
Share capital issued	16	13,062	13,062
Share premium	16	106,299	106,299
Other components of equity	16	2,103	2,103
Exchange differences on translation of foreign operations	16	(1,657)	(1,032)
Retained earnings	16	926,385	722,392
Equity attributable to owners of the parent		**1,046,192**	**842,824**
Total equity		**1,046,192**	**842,824**
Non-current liabilities			
Long-term borrowings	17	104,146	138,700
Lease liabilities	20	152,413	112,595
Employee benefit obligations and provisions	22	1,927	2,661
Deferred tax liability	8	33,086	15,440
Total non-current liabilities		**291,572**	**269,396**
Current liabilities			
Trade and other payables	19.1	154,107	130,215
Contract liabilities	19.2	26,896	19,311
Short-term borrowings	17	196,135	210,616
Lease liabilities	20	37,306	39,021
Current tax liability	8	12	19,475
Employee benefit obligations and provisions	22	33,267	32,572
Short-term provisions	18	8,436	6,852
Total current liabilities		**456,159**	**458,062**
Total liabilities		**747,731**	**727,458**
Total equity and liabilities		**1,793,923**	**1,570,282**

(all amounts in PLN thousands, unless stated otherwise)

CONSOLIDATED STATEMENT OF CASH FLOWS

indirect method	Note	Period ended 31 December 2023	Period ended 31 December 2022
	21.2		
Cash flows from operating activities			
Profit before tax		**277,255**	**256,427**
Adjustments:		**(41,343)**	**(154,957)**
Depreciation and amortisation		43,504	32,849
Foreign exchange gains (losses)		(4,941)	(863)
Adjustments for gains (losses) on sale of non-current assets		(236)	85
Other adjustments with cash flows from financing or investing activities		(104)	-
Interest		29,383	24,755
Change in inventories		(50,637)	(217,224)
Change in contract asset		(5,782)	(2,725)
Change in trade and other receivables		(77,853)	(40,842)
Change in trade and other payables		16,193	35,791
Change in contract liabilities		7,585	3,718
Change in employee benefit obligations and provisions		1,545	9,499
Cash from operating activities		**235,912**	**101,470**
Income tax paid		(55,827)	(51,406)
Net cash from operating activities		**180,085**	**50,064**
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets		(37,979)	(38,034)
Disposal of property, plant and equipment and intangible assets		124	103
Loans		(3,537)	(3,400)
Repayment of loans		3,541	3,612
Receipts from lease		-	5
Interest received		104	80
Net cash from investing activities		**(37,747)**	**(37,634)**
Cash flows from financing activities			
Dividend paid		(19,593)	(19,593)
Borrowings received		-	86,141
Borrowings repaid		(48,784)	-
Payment of lease liabilities		(43,521)	(37,042)
Interest and fees paid		(27,970)	(23,953)
Net cash from financing activities		**(139,868)**	**5,553**
Change in cash before exchange rate changes		**2,470**	**17,983**
Effect of exchange rate changes on cash		**(41)**	**12**
Net change in cash		**2,429**	**17,995**
Cash and cash equivalents at beginning of period		**34,931**	**16,936**
Cash and cash equivalents at end of period		**37,360**	**34,931**

(all amounts in PLN thousands, unless stated otherwise)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital issued	Share premium	Capital from issue of warrants	Translation reserve	Retained earnings	Equity attributable to owners of the parent	Total equity
As at 1 Jan 2023	**13,062**	**106,299**	**2,103**	**(1,032)**	**722,392**	**842,824**	**842,824**
Net profit	-	-	-	-	223,586	223,586	**223,586**
Other comprehensive income	-	-	-	(625)	-	(625)	**(625)**
Total comprehensive income	**-**	**-**	**-**	**(625)**	**223,586**	**222,961**	**222,961**
Dividends paid	-	-	-	-	(19,593)	(19,593)	**(19,593)**
Total changes in equity	**-**	**-**	**-**	**(625)**	**203,993**	**203,368**	**203,368**
As at 31 December 2023	**13,062**	**106,299**	**2,103**	**(1,657)**	**926,385**	**1,046,192**	**1,046,192**

	Share capital issued	Share premium	Capital from issue of warrants	Translation reserve	Retained earnings	Equity attributable to owners of the parent	Total equity
As at 1 January 2022	**13,062**	**106,299**	**2,103**	**(685)**	**534,717**	**655,496**	**655,496**
Net profit	-	-	-	-	207,268	207,268	**207,268**
Other comprehensive income	-	-	-	(347)	-	(347)	**(347)**
Total comprehensive income	**-**	**-**	**-**	**(347)**	**207,268**	**206,921**	**206,921**
Dividends paid	-	-	-	-	(19,593)	(19,593)	**(19,593)**
Total changes in equity	**-**	**-**	**-**	**(347)**	**187,675**	**187,328**	**187,328**
As at 31 December 2022	**13,062**	**106,299**	**2,103**	**(1,032)**	**722,392**	**842,824**	**842,824**

NOTES

1. About the Auto Partner Group

1.1. Principal business

The principal business of Auto Partner S.A. and the Auto Partner Group 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.

1.2. About Auto Partner S.A.

Name of the reporting entity: Auto Partner S.A.

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

Registered office: Poland

Principal place of business: Auto Partner S.A. conducts operations mainly in the territory of Poland.

Country of registration: Poland

Legal form: Joint stock company (Spółka Akcyjna); the Company is entered in the National Court Register at the District Court for Katowice-Wschód, 8th Commercial Division of the National Court Register, under No. KRS 0000291327.

Tax Identification Number (NIP): 6340011017

Industry Identification Number (REGON): 276249079

Legal Entity Identifier (LEI): 259400NXH0FT0MF6PV21

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

Name of the higher level parent: none

Name of the ultimate parent of the group: none

1.3. As at the date of authorisation of these financial statements, 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,

Tomasz Werbiński – Member of the Management Board.

1.4. As at the date of authorisation of the financial statements, the Supervisory Board was composed of:

Jarosław Plisz – Chair of the Supervisory Board,

Bogumił Woźny – Deputy Chair 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.

1.5. Auditor

PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., with its registered office at ul. Polna 11, Warsaw.

1.6. Listing venue

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

1.7. Consolidated subsidiaries as at 31 December 2023

As at the reporting date, the Auto Partner Group comprised the parent company Auto Partner S.A. and four subsidiaries consolidated with the full method, as listed below.

Entity	Principal business	Registered office	% ownership interest As at 31 December 2023	% ownership interest As at 31 December 2022
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	Romania, Bucharest	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.

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

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

There are no non-controlling interests.

2. Principles for preparation of consolidated financial statements

2.1.Statement of compliance

These full-year consolidated financial statements (the "financial statements") of the Group for the period from 1 January to 31 December 2023 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 1 January 2023. 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 31 December 2022. The data contained in these financial statements is presented in PLN thousands, unless more accurate data is provided in specific cases.

2.2.Going concern

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

2.3.Basis of accounting

These financial statements have been prepared on a historical cost basis.

2.4. Amendments to standards and interpretations in 2023

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 2023:

IFRS 17 *Insurance Contracts* and amendments to IFRS 17
IFRS 17 *Insurance Contracts* was issued by the International Accounting Standards Board on 18 May 2017, and amendments to IFRS 17 were issued on 25 June 2020. IFRS 17 *Insurance Contracts* will replace existing IFRS 4, which provides for diverse practices in accounting for insurance contracts. The new standard will substantially change the accounting practices of all entities that deal with insurance contracts and investment agreements. However, the scope of the standard is not limited to insurance companies only, and contracts concluded by entities other than insurance companies may also include a component that meets the definition of an insurance contract (as defined in IFRS 17).

Amendment to IFRS 17 *Insurance Contracts*
The amendment relates to transition requirements following the initial application of IFRS 17 *Insurance Contracts* and IFRS 9 *Financial Instruments*. The purpose of the amendment is to ensure the usefulness of financial information for investors during the period of initial application of the new standard by introducing certain expedients with respect to the presentation of comparative data. The amendment relates to the application of the new standard IFRS 17 only – it does not affect any other requirements of IFRS 17.

Amendment to IAS 1 *Presentation of Financial Statements* and the IASB Practice Statement on Disclosure of Accounting Policies
The amendment to IAS 1 requires entities to disclose their material accounting policy information, which is defined in the Standard. It clarifies that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements. In addition, the IASB's guidance was amended with respect to the application of the materiality concept in practice, to provide guidance on the application of the materiality concept to accounting policy disclosures.

Amendment to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*
In February 2021, the IASB issued an amendment to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* as regards the definition of accounting estimates. The amendment clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates.

Amendments to IAS 12 *Income Taxes*
The amendments published in 2021 clarify how to account for deferred tax on transactions such as leases and decommissioning obligations. Prior to the amendment, there was uncertainty as to whether the recognition of equal amounts of assets and liabilities for accounting purposes (e.g., initial recognition of leases) which does not affect current tax settlements necessitates the recognition of deferred taxes or whether the initial recognition exemption, according to which deferred taxes are not recognised if the recognition of an asset or liability does not affect profit or loss at the time of recognition, applies. The amended IAS 12 deals with this matter by requiring the recognition of deferred tax in the above situation, introducing an additional provision stating that the initial recognition exemption does not apply if the entity simultaneously recognises the asset and the equivalent liability and each of them gives rise to temporary differences.

Amendments to IAS 12 *Income Taxes: Global Minimum Tax* (Pillar Two)
In May 2023, the IASB published amendments to IAS 12 *Income Taxes* in response to the Organisation for Economic Cooperation and Development's (OECD) Pillar Two global minimum tax regulations, released as part of its international tax reform. The amendments provide for a temporary exception to the requirement to account for deferred tax assets and liabilities arising under tax law adopted to implement Pillar Two model rules. Entities may apply the amended IAS 12 immediately, with certain disclosures required for annual periods beginning on or after 1 January 2023.

The Group has assessed the amendments listed above and found that they have not had a material effect on the financial statements. As regards the amendments to IAS 1, the accounting policies have been reviewed, and certain disclosures have been removed from the financial statements.

Issued standards and interpretations which are not yet effective and have not been adopted by the Group early:

Amendment to IFRS 16 *Leases*
In September 2022, the IASB issued amendments to IFRS 16 *Leases* to clarify certain issues concerning subsequent measurement of a lease liability in the case of sale and leaseback transactions which satisfy the criteria under IFRS 15 to be accounted for as a sale. The amendments require that a seller-lessee subsequently measure lease liabilities arising in leasebacks in such a way as not to recognise any gain or loss relating to the right of use it retains. The new requirement is of particular importance where a leaseback involves variable payments that do not depend on an index or rate, as under IFRS 16 such payments are not 'lease payments'. The amended standard includes a new example that illustrates the application of the new requirement in such situations. The amendment applies from 1 January 2024.

Amendments to IAS 1 *Presentation of Financial Statements*
In 2020, the IASB published amendments to IAS 1 to clarify how to classify debt and other liabilities as current or non-current. In October 2022, the IASB issued further amendments to IAS 1, which address the classification of liabilities as con-current and current, for which an entity is required to meet certain contractual covenants. The amended IAS 1 provides that liabilities are classified as current or non-current depending on the rights existing at the end of the reporting period. The classification does not depend on the entity's expectations or events after the reporting date (for example, waiver or breach of a covenant). The amendments are effective for financial statements for periods beginning on or after 1 January 2024.

Amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures – Supplier Finance Arrangements*
In May 2023, the IASB published amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures*. The amendments introduce disclosure requirements for supplier finance arrangements, whereby specific disclosures are required about the entity's supplier finance arrangements to enable users of financial statements to assess the impact of those arrangements on the entity's liabilities and cash flows and its exposure to liquidity risk. These amendments are intended to enhance the transparency of disclosures about arrangements made with suppliers. The amendments do not affect the recognition or measurement principles, only the disclosure requirements. The new disclosure obligations will be effective for annual reporting periods beginning on or after 1 January 2024. As at the date of these financial statements, the amendments were not yet endorsed by the European Union.

Amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*
In August 2023, the IASB published amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates*, which are intended to help entities determine whether a currency is exchangeable for another currency and estimate the spot exchange rate if it is not. In addition, where a currency is not exchangeable, the amended standard requires disclosure of additional information on how an alternative exchange rate is determined. The amendments are effective for financial statements for periods beginning on or after 1 January 2025. As at the date of these financial statements, the amendments were not yet endorsed by the European Union.

IFRS 14 *Regulatory Deferral Accounts*
The standard permits an entity which is a first-time adopter of IFRS (on or after 1 January 2016) to continue to account for rate-regulated activities in accordance with its previous accounting policies. To ensure better comparability with entities which already use IFRSs and do not account for such balances, in accordance with IFRS 14 amounts from rate-regulated activities should be presented as a separate item in the statement of financial position, statement of profit or loss, and statement of comprehensive income. The European Union has decided not to endorse IFRS 14.

Amendments to IFRS 10 and IAS 28 concerning sale or contribution of assets between an investor and its associate or joint venture
The amendments address the current inconsistency between IFRS 10 and IAS 28. The accounting approach depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a business. Full gain or loss is recognised by the investor if the non-monetary assets constitute a business. If the assets do not meet the definition of a business, the investor recognises a partial gain or loss, excluding the part corresponding to other investors' interests. The amendments were issued on 11 September 2014. As at the date of these financial statements, the European Union postponed the endorsement of the amendments.

The Group did not elect to early adopt any of the standards, interpretations or amendments that have been issued but are not yet effective in accordance with the European Union regulations. Effective dates are the dates given by the International Accounting Standards Board in the standards. The effective dates of the standards in the European Union may differ from those specified in the text of the standards and are announced on endorsement of a standard by the European Union. The Group is of the opinion that the amended standards that have not yet been endorsed by the European Union will have no impact on the Group's reporting.

2.5.Material judgements and estimates

The preparation of financial statements in accordance with IFRS requires the Management Board of the Group to use judgements and estimates which affect the applied accounting policies and the amounts of reported assets, liabilities, income and expenses. Judgements and estimates are reviewed on an ongoing basis. A change in estimates is recognised in profit or loss for the period in which the change occurred. During the reporting period, there were no material changes in judgements and estimates. Please refer to note 2.10 for details.

2.6. Seasonality

The sale of spare parts and accessories, which constitutes the principal business activity of the Group, is subject to seasonal fluctuations during the year. 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.

2.7.Functional currency and reporting currency

These consolidated financial statements have been prepared in the Polish złoty (PLN). The Polish złoty is the functional currency of the parent and the reporting currency adopted for these consolidated financial statements.

The data contained in these financial statements is presented in thousands of złoty, unless more accurate information is provided in specific cases.

The functional currencies of the foreign subsidiaries are the Czech koruna (CZK) and the Romanian leu (RON). The following policies have been applied to translate financial data for the purpose of consolidating the financial statements of foreign subsidiaries:

items of the statement of financial position have been translated at the mid rates quoted by the National Bank of Poland at the end of the reporting period:

NBP mid rate quoted for:	**31 December 2023**	**31 December 2022**
CZK	0.1889	0.1942
RON	0.9145	0.9475

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

Average NBP mid rate for reporting period	**2023**	**2022**
CZK	0.1759	0.1910
RON	0.8742	0.9501

Exchange differences on translation of foreign operations are recognised in other comprehensive income and as translation reserve in equity.

2.8.Basis of consolidation

These consolidated financial statements include the financial statements of the parent and its subsidiaries. Subsidiaries are entities controlled by the parent, in which the Parent has the power to govern, directly or indirectly, the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are included in the consolidated financial statements from the date when control commences until the date when control is lost. All intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between Group companies are eliminated in the consolidated financial statements. Where necessary, the subsidiaries' financial statements are adjusted to ensure consistency with the parent's accounting policies. For more information, see note 1.7.

2.9.Significant accounting policies

2.9.1. Property, plant and equipment

Property, plant and equipment comprises owned property, plant and equipment, leasehold improvements, property, plant and equipment under construction, and property, plant and equipment held for use (where the agreement transfers substantially all the risks incident to ownership) that are used by the Group in its operations and have a useful life exceeding one year.

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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 (except for property, plant and equipment under construction). The Group recognises depreciation charges on property, plant and equipment in equal instalments each month on a straight-line basis. Depreciation of property, plant and equipment begins from the month following the month in which an item of property, plant and equipment is available for use and entered in the register of assets, until the end of the month in which the total amount of depreciation charges equals the asset's initial value or in which the asset is designated for retirement, sold or identified as missing. The Group applies the practical expedient in accordance with paragraph 97 of IAS 38, which, according to the Management Board's judgement, does not have a material effect on its financial statements. Property, plant and equipment are depreciated on a systematic and planned basis over a fixed depreciation period. The length of the period, the rate and the method of depreciation are determined at the date the asset is available for use. Useful lives, depreciation methods and residual values are reviewed annually. Depreciation at a new rate determined as a result of such review starts as of the beginning of the financial year immediately following the year in which the review was carried out (prospectively). The Group depreciates its property, plant and equipment taking into account their useful lives reflecting actual wear and tear of the assets, on a straight-line basis, at the following rates:

- 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.

2.9.2. Intangible assets

Intangible assets are identifiable intangible assets with definite useful lives, intended for the needs of the entity, which are controlled by the Group and from which the Group is likely to obtain future economic benefits. Intangible assets 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. 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, taking into account their useful lives and at the following rates:

- licences and software: 10–20%

Licences for computer software are measured at cost, which includes the purchase price and expenditures incurred to make the software ready for its intended use.

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.

2.9.3. Property, plant and equipment under construction

Property, plant and equipment under construction are measured at purchase cost or at cost directly attributable to their production, less any impairment losses. If property, plant and equipment under construction are financed with borrowings, their value is increased by borrowing costs. Leased property, plant and equipment under construction include lease contract assets not yet commissioned at end of period.

2.9.4. Impairment of non-financial non-current assets

As at each reporting date, the Group assesses whether there is any indication of impairment of its non-financial non-current assets. Where the carrying amount of an item of property, plant and equipment exceeds its estimated recoverable amount, its carrying amount is written off to the recoverable amount.

2.9.5. The Group as a lessee

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

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

- the right to decide whether to use the asset.

The Group 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 Group 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.

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

At the commencement date, the Group 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 Group 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 Group 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 Group measures the right-of-use asset applying the cost model: To apply the cost model, the Group 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 Group 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 Group presents the right-of-use assets under the same line item as the assets owned by the Group and discloses in the notes to the financial statements which items in the statement of financial position include the right-of-use assets. Lease liabilities are presented separately from other liabilities in the financial statements. Lease payments are split into an interest component and an amount decreasing the lease liability. Interest expense is charged directly to finance costs.

For information on leases, please refer to the following notes:

- carrying amount of right-of-use assets by class – notes 10 and 11

- additions to right-of-use assets by class – notes 10 and 11

- depreciation charge for right-of-use assets by class – notes 10 and 11

- interest expense on lease liabilities – note 7

- expense relating to short-term leases and leases of low-value assets – note 20

- lease liabilities – note 20

- unrecognised liabilities under lease contracts – note 20

- total cash outflow for leases – note 21.2.

Information on the Group's future cash outflows to which the lessee is potentially exposed that are not included in the measurement of lease liabilities:

- variable lease payments: the Group has no lease contracts where payments would depend on variables other than a rate or index;

- termination options: the Group does not expect the early termination of its material lease contracts for properties in strategic locations. Therefore, the Group has determined the lease terms assuming that it will not exercise the termination options, with all payments included in the measurement of the lease liabilities;

- extension options: certain lease contracts for properties where the Group conducts its operations incorporate extension options. However, as the Group is not reasonably certain to exercise these extension options, they were not included in the measurement of lease liabilities as at the inception date the contracts (or as at the date of initial application of IFRS 16, if later). Up to the reporting date of 31 December 2023, no events or changes in circumstances occurred that would have been within the Group's control and that would have affected whether the Group was reasonably certain to exercise an extension option not previously included in its determination of the lease terms.

2.9.6. Financial assets

Classification and measurement

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

The Group classifies financial assets into three categories:

– financial assets measured at amortised cost,

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

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

The Group classifies as financial assets:

1) measured at amortised cost:

- trade receivables and other financial receivables,

- loans,

- cash;

2) measured at fair value through profit or loss:

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

2.9.7. Impairment of financial assets

When measuring impairment of financial assets measured at amortised cost, the Group determines the portfolios in terms of credit risk and then places them in an appropriate basket of exposures, which determines their credit risk. As at the end of each reporting period, the Group assesses whether there were any indications that could result in classifying financial assets into individual exposure baskets. Given the large number of trading partners and invoices, the Group applies the portfolio approach to trade receivables, while for other financial assets, given their limited number in each category, the Group applies a case-by-case approach. For impairment of trade receivables, the Group uses a simplified approach and measures allowances for expected credit losses at amounts equal to lifetime expected credit losses. The Group's trade receivables do not contain a significant financing component within the meaning of IFRS 15.

Expected credit losses on trade receivables are recognised as lifetime expected credit losses. To calculate expected credit losses, the Group uses a provision matrix estimated based on historical payment levels and recoveries from trading partners, and also applies a case-by-case approach. The matrix provides for the following groups of receivables:

– current,

– 1–30 days past due,

– 31–90 past due,

– 91–120 days past due,

– 121–180 days past due,

– 181–360 days past due,

– more than 360 days past due.

Impairment losses on trade receivables are calculated as the sum of the products of the rates adopted for the above ageing groups and the amount of outstanding trade receivables in each group as at the reporting date. Trade receivables included in the impairment loss calculation based on the rates from the adopted matrix are exclusive of insured receivables (up to the insurance limit for a given counterparty; with respect to amounts above the limit, impairment losses are calculated using the matrix rates) and receivables from suppliers. The loss rates were in each of these cases determined individually. 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. 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.

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

2.9.8. Prepayments and accrued income

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

2.9.9. Inventories

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.

Write-downs of inventories (where damaged inventories are handed over for scrapping, write-downs are reversed, with a corresponding increase in the amount of inventories) are recognised to reflect impairment (in the case of damaged or slow-moving merchandise) or if the realisable selling price of inventories falls below their purchase price. The Group has procedures in place to assess the saleability of its inventories. Inventory write-downs are recognised at the end of each reporting period.

Due to their immateriality, costs of transport of goods purchased by the Company do not increase the value of inventories and are recognised as cost of goods sold when incurred. The exception are significant costs of goods transport by a subsidiary, which are charged by the subsidiary to inventory, and the entire inventory is resold to the Company.

2.9.10. Contract asset

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 Group's asset under the Group's right to recover products from customers after the obligation to return the payment to the customer has been met.

2.9.11. Cash

Cash and cash equivalents comprise cash in hand, cash in bank accounts, cash in transit, and other cash. Cash and cash equivalents disclosed in the statement of cash flows comprise cash in hand and cash in bank accounts.

As a result of the implementation of the split payment mechanism, the Group holds VAT bank accounts the funds in which the Group may only use for restricted purposes, such as payment of VAT on trade payables and other public and legal dues. Apart from VAT accounts, the Group does not have any other restricted cash. Please refer to note 21.1 for details.

2.9.12. Provisions

Provisions are recognised if the Group has a legal or constructive obligation resulting from a past event, the amount of such obligation can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The recognised amount of the provision reflects the best estimate of the amount required to settle the current liability at the reporting date, taking into account the risks and uncertainties associated with that liability. Where provisions are measured using the estimated cash flows needed to settle the current liability, the carrying amount of the liability corresponds to the present value of those cash flows (when the effect of the time-value of money is significant).

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

2.9.13. Warranty

Provisions for expected warranty repairs are recognised upon sale of goods, at the amount of the Management Board’s best estimate of future costs required to be incurred by the Group during the warranty period. In accordance with the applicable laws, the Group grants a two-year warranty for the goods it sells. If the goods are found defective during the warranty period, the Group must replace them with new goods or refund the cash and pay additional costs arising from the use of such defective goods. At the same time, some suppliers provide quality guarantees to the Group for the purchased goods, which means that costs, if any, related to warranty complaints are transferred to the suppliers. In order to allocate the cost of warranty repairs to the period in which the sale occurred, the Group estimates future costs of warranty repairs based on the volume of sales in a given period and the defectiveness rate of the goods sold. The defectiveness rate is determined by the Group based on an analysis of the defectiveness of the goods sold on the basis of the information on recognised warranty complaints in the last four 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 18.

2.9.14. Contingent liabilities

In accordance with IAS 37, the Group does not recognise contingent liabilities in the statement of financial position. Contingent liabilities are disclosed in the financial statements.

2.9.15. Contingent assets

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

2.9.16. Financial liabilities

Financial liabilities are classified by the Group into:

– financial liabilities measured at amortised cost,

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

The Group classifies trade payables and borrowings as financial liabilities measured at amortised cost.

The Group did not enter into any derivative contracts.

2.9.17. Hedge accounting

The Group does not apply hedge accounting.

2.9.18. Employee benefit obligations and provisions

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

Employee benefit obligations are recognised in the period in which they are performed at the undiscounted amount of benefits expected to be paid in exchange for the service. Recognised liabilities on account of other long-term employee benefits are measured at the value of estimated future cash outflows from the Group with regard to services provided by employees by the reporting date.

2.9.19. Equity

Equity is recognised in the accounting records according to its specific components, in line with applicable laws and the relevant provisions of the Articles of Association.

The Group’s equity comprises:

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

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

- other capital from issue of warrants,

- translation reserve,

- retained earnings comprising retained earnings from previous years (statutory reserve funds created in accordance with the Commercial Companies Code) and current profit or loss.

2.9.20. Dividends

The obligation to pay dividends is recognised when the shareholders' rights to receive the dividend are established.

2.9.21. Earnings per share

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.

2.9.22. Trade and other payables

Short-term trade payables are recognised at amounts due. Financial liabilities other than financial instruments at fair value through profit or loss are measured at amortised cost using the effective interest rate method. The Group derecognises a financial liability when it is extinguished, that is when the obligation specified in the contract is either discharged or cancelled or expires. Other non-financial liabilities are measured at amounts due. They include, in particular, liabilities to the revenue office in respect of advance payments of income tax on salaries and wages. Trade payables are reduced by the value of discounts due from suppliers up to the amount of the liability. Trade payables are classified as current liabilities if they fall due within 12 months from the reporting date. Otherwise, they are recognised as non-current liabilities.

2.9.23. Contract liabilities

Contract liabilities include, in particular, the right to return goods. The Group discloses the amount of revenue reduction arising from the estimated right to return goods, which rights is transferred together with the sale. Contract liabilities under loyalty contracts with customers are less significant. For more information, see note 2.10.2.

2.9.24. Trade and other receivables

Trade receivables are initially recognised at transaction price, less allowances for lifetime expected credit losses. Expected credit losses reflect historical experience of counterparty default and potential estimated credit losses. An allowance is recognised as an expense recognised in the statement of comprehensive income at the end of each reporting period. Receivables from the state budget are presented under other non-financial assets.

2.9.25. 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 at the level of individual Group entities.

2.9.26. 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 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, and other exchange differences (on loans, borrowings and leases) are presented under finance income or finance costs, as appropriate.

2.9.27. Revenue from contracts with customers

In accordance with IFRS 15, the Group recognises revenue when the performance obligation is satisfied, that is when the goods or services are transferred to the customer. The Group applies this policy using a five-step model:

- identifying the contract;

- identifying performance obligations;

- determining the transaction price;

- allocating the transaction price to performance obligations;

- recognition of revenue on satisfaction of performance obligation.

Identifying the contract

The Group recognises revenue from contracts with customers if the following criteria are met:

- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;

- the Group can identify each party's rights regarding the goods or services to be transferred;

- the Group can identify the payment terms for the goods or services to be transferred;

- the contract has commercial substance (i.e. the risk, timing or amount of the entity's future cash flows is expected to change as a result of the contract); and

- it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

Identifying performance obligations

a) *time when the Group typically satisfies its performance obligations*

The Group primarily recognises revenue derived from the sale of goods accounting for 99.9% of total revenue from contracts with customers. The sale of automotive spare parts directly from manufacturers to end customers is the Group's principal business. Contracts with customers contain a single performance obligation, which is the delivery of goods. A performance obligation is satisfied when the customer obtains control of the goods. The control is transferred: (i) upon delivery of the goods to the customer (upon sale at the Group's branches) (ii) upon delivery of the goods to a point of delivery specified by the customer.

Revenue from the sale of services representing an immaterial portion of total revenue from contracts with customers is recognised at the time the service is performed. The performance obligation is satisfied upon performance of the services as they are of short duration.

b) *significant payment terms*

Contracts with customers do not have any significant financing components and the payment terms do not generally exceed three months.

c) *nature of the goods or services that the Group has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services*

The Group primarily recognises revenue derived from the sale of goods accounting for 99.9% of total revenue from contracts with customers. The sale of automotive spare parts directly from manufacturers to end customers is the Group's principal business. Contracts with customers contain a single performance obligation, which is the delivery of goods.

The Group acts as a principal for the supply of goods.

d) *obligations for returns, refunds and other similar obligations*

Right of return

Contracts with customers contain the right of return. Customers may freely return purchased goods within 14 days from the purchase date, provided that the goods do not bear any traces of use. The Group estimates the value of future adjustments to sales to account for customer returns, using historical data on returns from the current period related to sales made in previous years, along with the current period's turnover. Warranty replacements are governed by the applicable provisions of the Polish Civil Code. The estimated amount of a return is recognised as: (i) a decrease in revenue from contracts with customers and a contract liability (note 19.2.), (ii) a decrease in the cost of merchandise sold and a contract asset (note 14.2).

Refunds of consideration

Some contracts include variable consideration amounts as a result of discounts granted, including discounts resulting from reaching a certain level of sales. In accordance with IFRS 15, the Group estimates the amount of discounts due to customers and recognises it as a decrease in revenue and decrease in trade receivables. The Group enters into support agreements and discount agreements with selected customers. Under such arrangements, the Group agrees to provide specific support or discounts if the trading partner achieves the contracted volume of turnover with the Group. The Group recognises the amount of support and discounts granted based on the trading partne'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 presented in note 3.

Types of warranties and related obligations

The Group grants warranties that do not give rise to a separate performance obligation. Therefore, the Group recognises a provision for warranties in accordance with IAS 37. Provisions for the warranty costs are recognised upon sale of goods, at the amount of the Management Board's best estimate of future costs required to be incurred by the Group during the warranty period. The estimated amount of these liabilities is presented in note 18, with a detailed description provided in note 2.10.1 *'Estimate of expected cost of warranty repairs'*.

Determining the transaction price and allocating the transaction price to performance obligations

The transaction price is the consideration payable to the Group in exchange for the transfer of goods or services to the customer. The Group allocates the transaction price to the performance obligation in an amount that reflects the amount of consideration, taking into account the terms of the contract.

Some contracts include variable consideration amounts as a result of discounts granted, including discounts resulting from reaching a certain level of sales. In accordance with IFRS 15, the Group estimates the amount of discounts due to customers and recognises it as a decrease in revenue and decrease in trade receivables. Contracts with customers also include the right to return goods. Customers may freely return purchased goods within 14 days from the purchase date, provided that the goods do not bear any traces of use. The Group estimates the value of future adjustments to sales to account for customer returns, using historical data on returns from the current period related to sales made in previous years, along with the current period's turnover. Warranty replacements are governed by the applicable provisions of the Polish Civil Code. The estimated amount of a return is recognised as: (i) a decrease in revenue from contracts with customers and a contract liability (note 19.2.), (ii) a decrease in the cost of merchandise sold and a contract asset (note 14.2).

Recognition of revenue upon satisfaction of performance obligation

Revenue from sale of goods The Group recognises revenue when the performance obligation is satisfied, that is when the customer obtains control of the goods.

Revenue from the sale of services representing an immaterial portion of total revenue from contracts with customers is recognised at the time the service is performed. Revenue from the sale of services primarily includes customer training, returns management, and packing services.

2.9.28. Operating segments

The Group's principal business consists in sale of vehicle spare parts directly from manufacturers to end users. The Group's Management Board, as the chief decision maker, does not distinguish separate operating segments, as the Group's entire business consists in sale of spare parts and accessories for motor vehicles. The data analysed by the Group's Management Board are consistent with the data presented in the notes to the financial statements. The Group presents revenue from contracts with customers by geographical region, i.e., domestic, EU and non-EU sales. The Group does not have key customers and sales to none of the Group's customers exceed 10% of total sales.

2.9.29. Expenses

Expenses are probable decreases during the accounting period in economic benefits of a reliably determined value, in the form of outflows or depletions of assets or increases in liabilities and provisions that result in decreases in equity. Expenses are recognised in the statement of profit or loss in accordance with the matching principle.

2.9.30. Finance income and costs

Finance costs include mainly interest on borrowings, interest on right-of-use liabilities, commissions and fees on borrowings, and foreign exchange losses.

Finance income includes mainly interest on loans and trade receivables, and foreign exchange gains. Interest income is recognised as it accrues by reference to the net carrying amount of a particular asset, provided it is certain to be earned.

2.9.31. Statement of cash flows

The statement of cash flows from operating activities is prepared using the indirect method.

2.9.32. Discontinued operations

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

2.10. Significant values based on the Management Board’s professional judgements and estimates

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

2.10.1. Estimate of expected cost of warranty repairs

In accordance with the applicable laws, the Group grants a two-year warranty for the goods it sells. If the goods are found defective during the warranty period, the Group must replace them with new goods or refund the cash and pay additional costs arising from the use of such defective goods. At the same time, some suppliers provide quality guarantees to the Group for the purchased goods, which means that costs, if any, related to warranty complaints are transferred to the suppliers. In order to allocate the cost of warranty repairs to the period in which the sale occurred, the Group estimates future costs of warranty repairs based on the volume of sales in a given period and the defectiveness rate of the goods sold. The defectiveness rate is determined by the Group based on an analysis of the defectiveness of the goods sold on the basis of the information on recognised warranty complaints in the last four 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 18.

2.10.2. Estimate of the value of returns made by customers

Customers may freely return purchased goods within 14 days from the purchase date, provided that the goods do not bear any traces of use. Warranty replacements are governed by the applicable provisions of the Polish Civil Code. In the opinion of the Management Board of the Group, the vast majority of returns are made within three months from the date of sale. The Group estimates the value of future adjustments to sales to account for customer returns, using historical data on returns from the current period related to sales made in previous years, along with the current period’s turnover. For information on the right-of-return asset, see note 14.2.

2.10.3. Estimate of discounts received from suppliers

The Group receives discounts for the value of purchased goods, the volume of which depends on the annual turnover with a given supplier (including through participation in the purchasing group). The amount of discounts is calculated after the end of the reporting period. Therefore, the Group calculates the present amount of its mark-up based on an individual relation between turnover bonuses received from each trading partner to the turnover in the period and the inventory of goods supplied by the business partner held by the Group, taking into account the aging of the inventory. The estimated discounts are allocated proportionately to the value of merchandise sold (note 4) and to the value of inventories (note 14.1).

2.10.4. Estimate of revenue and discounts from marketing activities

The Group receives receivables and discounts for marketing activities, the volume of which depends on the annual turnover with a given supplier and other contractual arrangements with the supplier. The amount of receivables and discounts is determined after the end of the reporting period, therefore the Group estimates the amount of receivables and discounts received based on the amount of turnover with a given supplier and the amount of discounts due under the agreement. These estimates reduce the amount of distribution costs and marketing expenses (note 4).

2.10.5. Estimate of recoverable amount of merchandise held

The Group grants discounts to its customers on sales prices, depending on trading volumes and other marketing factors. This gives rise to a significant difference in the amount of discounts granted to individual customers and may result in goods being sold at prices lower than the purchase price. Therefore, as at the end of each reporting period, the Group estimates the negative margins to be incurred in the future and recognises inventory write-downs (Note 14.1), 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.

2.10.6. Probability of achieving turnover contracted with customers

The Group enters into support agreements and discount agreements with selected customers. Under such arrangements, the Group agrees to provide specific support or discounts if the trading partner achieves the contracted volume of turnover with the Group. The Group recognises the amount of support and discounts granted based on the trading partne'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 3).

2.10.7. Estimate of unrealised margin on inventories

The unrealised margin on inventories resulting from intragroup transactions is eliminated on consolidation. The unrealised margin to be so eliminated is calculated based on inventories from intragroup transactions grouped by the year of purchase and the average margin on such transactions in individual years (note 14).

2.10.8. 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 Group uses a provision matrix estimated based on historical payment levels and recoveries from trading partners, and also applies a case-by-case approach. The matrix includes the following groups of receivables: current, receivables 1–30 days past due, receivables 31–90 days past due, receivables 91–120 days past due, receivables 121–180 days past due, receivables 181–360 days past due, and receivables more than 360 days past due. The expected credit loss is calculated on recognition of receivables in the statement of financial position and is updated as at each subsequent reporting date, depending on the number of days past due for a given amount receivable. The Group also estimates expected credit losses on trade receivables on a case-by-case basis. This applies to identified trade receivables where in the opinion of the Management Board the risk of irrecoverability is significant, e.g. due to liquidation or bankruptcy of the debtor. For information on the allowance for expected credit losses, see note 15.

2.10.9. Risk related to ownership of goods

Under purchase contracts concluded with certain suppliers, the supplied goods are deemed to become the property of the Group upon payment of the full purchase price. In the opinion of the Management Board of the Group, all significant risks incidental to the purchased goods (note 14.1) 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 Group''s trade payables.

(all amounts in PLN thousands, unless stated otherwise)

3. Revenue from contracts with customers

The principal business of the Group is the sale of spare parts and accessories for motor vehicles, therefore the Management Board does not identify separate reportable segments for the purposes of managing the Group's business. The Group does not have key customers and sales to none of the Group's customers exceed 10% of total sales. For more information enabling a better understanding of the financial statements, see subsections 2.1, 2.5 and 2.6 in the *'Overview of the Company's and the Group's business'* section of the Directors' Report on the operations of Auto Partner S.A. and the Auto Partner Group in 2023.

	Period ended 31 December 2023	**Period ended 31 December 2022**
Revenue from sale of merchandise	**3,648,721**	**2,831,187**
of which:		
Sales of merchandise – Poland	1,825,157	1,423,619
Sales of merchandise – EU	1,784,236	1,378,949
Sales of merchandise – other exports	39,328	28,619
Revenue from rendering of services	**4,663**	**3,514**
of which:		
Sales of services – Poland	1,029	1,497
Sales of services – EU	3,634	2,017
Total revenue from contracts with customers	**3,653,384**	**2,834,701**

4. Costs by nature and function of expense

	Period ended 31 December 2023	**Period ended 31 December 2022**
Depreciation and amortisation	(43,504)	(32,849)
Raw materials and consumables used	(33,382)	(29,399)
Services	(374,066)	(307,100)
Taxes and charges	(5,782)	(3,691)
Employee benefits expense	(227,455)	(182,057)
Other costs by nature of expense	(8,692)	(7,549)
Merchandise, materials and services sold	(2,662,967)	(1,987,682)
Total costs by nature of expense	**(3,355,848)**	**(2,550,327)**
Cost of sales	(2,663,505)	(1,987,689)
Distribution costs and marketing expenses	(402,825)	(332,198)
Warehousing costs	(242,333)	(180,344)
Management and administrative expenses	(47,185)	(50,096)
Total costs by function of expense	**(3,355,848)**	**(2,550,327)**

	Period ended 31 December 2023	**Period ended 31 December 2022**
Merchandise and materials sold	(2,663,347)	(1,987,610)
Services sold	(158)	(79)
Cost of sales	**(2,663,505)**	**(1,987,689)**

(all amounts in PLN thousands, unless stated otherwise)

For more information enabling a better understanding of the financial statements, see subsections 2.1 and 2.2 in the *'Overview of the Company's and the Group's business'* section of the Directors' Report on the operations of Auto Partner S.A. and the Auto Partner Group in 2023.

5. Other gains (losses), net

	Period ended 31 December 2023	**Period ended 31 December 2022**
Foreign exchange gains or losses on operating activities – unrealised	2,052	(1,201)
Foreign exchange gains or losses on operating activities – realised	3,911	(387)
Gains (losses) on impairment of receivables	(1,268)	(1,294)
Other	499	404
Other gains (losses), net	**5,194**	**(2,478)**

For more information enabling a better understanding of the financial statements, see subsection 2.1 in the *'Overview of the Company's and the Group's business'* section of the Directors' Report on the operations of Auto Partner S.A. and the Auto Partner Group in 2023.

6. Finance income

	Period ended 31 December 2023	**Period ended 31 December 2022**
Foreign exchange gains (losses) on financing activities	3,564	-
Interest on loans	104	80
Interest on trade receivables	179	99
Interest on bank deposits	283	-
Other finance income	17	78
Total finance income	**4,147**	**257**

For more information enabling a better understanding of the financial statements, see subsection 2.1 in the *'Overview of the Company's and the Group's business'* section of the Directors' Report on the operations of Auto Partner S.A. and the Auto Partner Group in 2023.

7. Finance costs

	Period ended 31 December 2023	**Period ended 31 December 2022**
Interest expense:		
Interest on term and overdraft facilities	(16,076)	(16,918)
Interest on non-bank borrowings from related entities	(2,414)	(1,335)
Interest on lease liabilities (other leases)	(6,093)	(3,403)
Interest on lease liabilities (office and warehouse space leases)	(3,927)	(2,259)
Other interest expense	(166)	(53)
	(28,676)	(23,968)
Other finance costs:		
Foreign exchange gains (losses) on financing activities	-	(341)
Credit commissions and fees	(870)	(770)
Factoring commissions and fees	(3)	(55)

(all amounts in PLN thousands, unless stated otherwise)

Other finance costs	(67)	(65)
	(940)	(1,231)
Total finance costs	**(29,616)**	**(25,199)**

For more information enabling a better understanding of the financial statements, see subsection 2.1 in the *'Overview of the Company's and the Group's business'* section of the Directors' Report on the operations of Auto Partner S.A. and the Auto Partner Group in 2023.

8. Income tax

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

Income tax charged to profit or loss

	Period ended 31 December 2023	**Period ended 31 December 2022**
Profit before tax	**277,255**	**256,427**
Income tax at 19%	(52,678)	(48,721)
Differences	(991)	(438)
Total income tax disclosed in the statement of comprehensive income	**(53,669)**	**(49,159)**
of which:		
Current income tax:		
For current year	(34,577)	(47,236)
For previous years	(322)	(143)
	(34,899)	(47,379)
Deferred income tax:		
For current year	(18,770)	(1,780)
	(18,770)	(1,780)
	(53,669)	**(49,159)**
Profit before tax	**277,255**	**256,427**
Income tax	(53,669)	(49,159)
Effective tax rate	**19.36%**	**19.17%**

Current tax assets and liabilities

	31 December 2023	**31 December 2022**
Current tax assets	1,257	-
Current tax liability	12	19,475

-

Income tax charged directly to equity

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

Income tax charged to other comprehensive income

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

(all amounts in PLN thousands, unless stated otherwise)

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 Group recognises deferred tax assets and liabilities.

Deferred tax assets ad liabilities

	As at 31 December 2023	As at 31 December 2022
Deferred tax assets	29,873	28,065
Deferred tax liability	(61,925)	(41,347)
Total	**(32,052)**	**(13,282)**
Offset within individual entities and tax jurisdictions	(28,839)	(25,907)
Deferred tax assets in the statement of financial position	**1,034**	**2,158**
Deferred tax liability in the statement of financial position	**33,086**	**15,440**

Presented below are temporary differences relating to deferred tax assets and liabilities:

	As at 31 December 2022	Recognised in profit or loss for 2023	As at 31 December 2023
Deferred tax assets			
Difference arising from rebate assets and inventory discounts	10,729	2,396	13,125
Difference arising from contracts with customers	2,745	453	3,198
Difference arising from estimated right to return merchandise	751	181	932
Merchandise write-down	1,539	(250)	1,289
Impairment loss on receivables	1,603	287	1,890
Provision for employee benefit obligations	1,700	(91)	1,609
Other provisions	2,018	(546)	1,472
Difference arising from social security contributions and employee capital plans	892	(853)	39
Elimination of margins on consolidation	4,795	(904)	3,891
Asset on tax loss of subsidiary	1,007	16	1,023
Difference arising from outstanding interest on non-bank borrowing	254	(150)	104
Difference arising from inventory adjustment assets	-	1,384	1,384
Other temporary differences	32	(115)	(83)
Total	**28,065**	**1,808**	**29,873**
Deferred tax liabilities			
Difference arising from property, plant and equipment and lease liabilities	(12,718)	(4,134)	(16,852)
Discounts/bonuses from suppliers	(28,314)	(16,334)	(44,648)
Other temporary differences	(315)	(110)	(425)
Total	**(41,347)**	**(20,578)**	**(61,925)**
Total deferred tax asset (liability)	**(13,282)**	**(18,770)**	**(32,052)**

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

	As at 31 December 2022	Recognised in profit or loss for 2023	As at 31 December 2023
Inventory write-downs recognised/(reversed)	169	12	181
Total	**169**	**12**	**181**

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.

9. Earnings per share

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.

	Period ended 31 December 2023	Period ended 31 December 2022
Net profit attributable to owners	223,586	207,268
Weighted average number of shares (thousand)	130,620	130,620
Earnings per share (PLN)	**1.71**	**1.59**

10. Property, plant and equipment

-	As at 31 December 2023	As at 31 December 2022
Buildings and structures	125,017	72,383
Machinery and equipment	122,664	86,125
Vehicles	16,445	13,712
Other	53,729	47,470
Property, plant and equipment under construction	14,105	31,390
Total carrying amount of property, plant and equipment	**331,960**	**251,080**

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

-	As at 31 December 2023	As at 31 December 2022
Buildings and structures	121,657	68,769
Machinery and equipment	66,201	46,774
Vehicles	11,449	9,255
Other	24,748	24,032
Property, plant and equipment under construction (i)	-	22,893
Total carrying amount of property, plant and equipment under right-of-use arrangements	**224,055**	**171,723**

-	Period ended 31 December 2023	Period ended 31 December 2022
Buildings and structures	20,130	15,110
Machinery and equipment	7,287	4,469

(all amounts in PLN thousands, unless stated otherwise)

Vehicles	1,426	1,212
Other	1,448	1,246
Total depreciation of property, plant and equipment under right-of-use arrangements	**30,291**	**22,037**

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 20.

(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 31 December 2021	**84,253**	**73,256**	**21,430**	**56,051**	**21,200**	**256,190**
Increase						
Purchase	1,424	17,192	154	3,729	6,161	**28,660**
Accounting for property, plant and equipment under construction – purchase	17	724	-	450	(1,191)	**-**
Leases	37,818	13,867	3,997	4,485	23,215	**83,382**
Accounting for property, plant and equipment under construction – leases	-	17,995	-	-	(17,995)	**-**
Other	-	-	4	-	-	**4**
Decrease						
Disposal	-	(54)	(557)	(141)	-	**(752)**
Retirement	-	(5)	(107)	-	-	**(112)**
Other	(5)	(69)	(16)	(3)	-	**(93)**
Gross carrying amount as at 31 December 2022	**123,507**	**122,906**	**24,905**	**64,571**	**31,390**	**367,279**
Increase						
Purchase	882	18,191	498	7,023	8,775	**35,369**
Accounting for property, plant and equipment under construction – purchase	135	2,931	-	102	(3,168)	**-**
Leases	72,366	6,255	4,501	2,996	-	**86,118**
Accounting for property, plant and equipment under construction – leases	-	22,601	-	291	(22,892)	**-**
Other	(12)	-	4	-	-	**(8)**
Decrease						
Disposal	-	(302)	(397)	(177)	-	**(876)**
Retirement	(544)	(116)	(129)	(29)	-	**(818)**
Other	-	(88)	(20)	(4)	-	**(112)**
Gross carrying amount as at 31 December 2023	**196,334**	**172,378**	**29,362**	**74,773**	**14,105**	**486,952**
Accumulated depreciation as at 31 December 2021	**35,451**	**27,816**	**9,781**	**13,805**	-	**86,853**
Depreciation in period	15,673	9,009	1,908	3,370	-	**29,960**
Disposal	-	(47)	(426)	(74)	-	**(547)**
Retirement	-	(3)	(54)	-	-	**(57)**
Other	-	6	(16)	-	-	**(10)**
Accumulated depreciation as at 31 December 2022	**51,124**	**36,781**	**11,193**	**17,101**	**-**	**116,199**
Depreciation in period	20,700	13,329	2,084	4,057	-	**40,170**
Disposal	-	(290)	(281)	(77)	-	**(648)**
Retirement	(507)	(113)	(74)	(7)	-	**(701)**
Other	-	7	(5)	(30)	-	**(28)**
Accumulated depreciation as at 31 December 2023	**71,317**	**49,714**	**12,917**	**21,044**	**-**	**154,992**
Net carrying amount as at 31 December 2022	**72,383**	**86,125**	**13,712**	**47,470**	**31,390**	**251,080**
Net carrying amount as at 31 December 2023	**125,017**	**122,664**	**16,445**	**53,729**	**14,105**	**331,960**

(all amounts in PLN thousands, unless stated otherwise)

11. Intangible assets

-	As at 31 December 2023	As at 31 December 2022
Software	24,592	14,154
Intangible assets under development	10,352	12,889
Total carrying amount of intangible assets	**34,944**	**27,043**

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

-	As at 31 December 2023	As at 31 December 2022
Software	2,856	3,347
Total carrying amount of right-of-use intangible assets	**2,856**	**3,347**

-	Period ended 31 December 2023	Period ended 31 December 2022
Software	466	441
Total amortisation of right-of-use intangible assets	**466**	**441**

Movements in intangible assets	Software	Other intangible assets	Intangible assets under development	Total
Gross carrying amount as at 31 December 2021	**25,145**	**343**	**10,429**	**35,917**
Increase				
Purchase	2,255	-	6,870	**9,125**
Accounting for intangible assets under development – purchase	4,410	-	(4,410)	**-**
Leases	251	-	-	**251**
Gross carrying amount as at 31 December 2022	**32,061**	**343**	**12,889**	**45,293**
Increase				
Purchase	3,684	-	7,551	**11,235**
Accounting for intangible assets under development – purchase	10,088	-	(10,088)	**-**
Other	(28)	-	-	**(28)**
Gross carrying amount as at 31 December 2023	**45,805**	**343**	**10,352**	**56,500**
Accumulated amortisation as at 31 December 2021	**15,013**	**343**	**-**	**15,356**
Amortisation in period	2,889	-	-	**2,889**
Other	5	-	-	**5**
Accumulated amortisation as at 31 December 2022	**17,907**	**343**	**-**	**18,250**
Amortisation in period	3,334	-	-	**3,334**
Other	(28)	-	-	**(28)**
Accumulated amortisation as at 31 December 2023	**21,213**	**343**	**-**	**21,556**
Net carrying amount as at 31 December 2022	**14,154**	**-**	**12,889**	**27,043**
Net carrying amount as at 31 December 2023	**24,592**	**-**	**10,352**	**34,944**

(all amounts in PLN thousands, unless stated otherwise)

12. Investments in other entities

	As at 31 December 2023	As at 31 December 2022
Shares in other entities	110	110
Total	**110**	**110**

13. Other financial assets

On 2 January 2023, an agreement was signed with Global One Automotive GmbH of Frankfurt whereby the Company advanced a loan of EUR 750 thousand to Global One. The loan bore interest at 3M EURIBOR + margin. The agreement was concluded for a definite term from 1 February 2023 to 31 July 2023. The Company holds 6.25% of shares in Global One Automotive GmbH as a participant in the International Purchasing Group (since 2017). The loan was repaid on 30 June 2023.

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

14. Inventories and contract asset

14.1. Inventories

Merchandise is stored in central and subsidiary warehouses and is, in principle, fully insured against theft, burglary, robbery, fire, and other natural calamities (except where the insurer excluded specific risks or lowered the amount of indemnification for such risks).

	As at 31 December 2023	As at 31 December 2022
Merchandise	1,014,290	964,899
Write-downs	(7,923)	(9,169)
Total	**1,006,367**	**955,730**

Inventories pledged as security

The Group created a registered pledge over inventories as security for bank borrowings. Please refer to note 17 for details. The amount of liabilities secured with the pledge is presented below.

-	As at 31 December 2023	As at 31 December 2022
Liabilities secured with pledge on inventories	255,586	306,174

Change in inventory write-downs

-	Period ended 31 December 2023	Period ended 31 December 2022
At beginning of period	**(9,169)**	**(10,450)**
Decrease	4,817	4,176
Increase	(3,571)	(2,895)
As at end of period	**(7,923)**	**(9,169)**

(all amounts in PLN thousands, unless stated otherwise)

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 31 December 2023**	**Period ended 31 December 2022**
Cost of sales	(2,663,505)	(1,987,689)
Distribution costs	(1,775)	(5,532)
Total inventory cost recognised	**(2,665,280)**	**(1,993,221)**

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

14.2. Contract asset

Customers may freely return purchased goods within 14 days from the purchase date, provided that the goods do not bear any traces of use. Warranty replacements are governed by the applicable provisions of the Polish Civil Code. The Group estimated the value of future adjustments to sales to reflect returns by customers based on historical data on returns and the current period's turnover. An asset is created in connection with the recognition of an estimated decrease in the cost of merchandise sold relating to the estimated right to return merchandise.

	As at 31 December 2023	**As at 31 December 2022**
Contract asset	19,366	13,584

15. Trade and other receivables

	As at 31 December 2023	**As at 31 December 2022**
Trade receivables payable up to 12 months	203,558	179,855
Trade receivables payable in more than 12 months	2,570	2,274
Trade receivables from suppliers	110,668	68,207
Impairment losses on trade receivables	(9,863)	(8,223)
Total trade receivables	**306,933**	**242,113**
Receivables from card system operators	1,438	1,458
Rent deposits receivable (i)	2,081	2,052
Other financial receivables (ii)	4,568	4,624
Impairment losses on other financial receivables	(867)	(871)
Total trade and other financial receivables	**314,153**	**249,376**
Prepaid deliveries	17,069	5,725
Prepayments and accrued income	7,999	6,683
VAT tax to be settled in future periods/refunded to bank account	21,187	23,007
Other non-financial receivables	1,117	851
Total non-financial receivables	**47,372**	**36,266**
Total trade and other receivables	**361,525**	**285,642**

(all amounts in PLN thousands, unless stated otherwise)

Other long-term receivables	4,494	4,299
Trade and other receivables	357,031	281,343
Total trade and other receivables	**361,525**	**285,642**

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

(ii) Other receivables include the estimate of cost expected to be reimbursed by suppliers on account of customers' warranty complaints of PLN 3,130 thousand as at 31 December 2022 and PLN 3,241 thousand as at 31 December 2023.

The Group analyses trade receivables for impairment. To calculate impairment losses, the Group uses a matrix of trade receivables loss rates calculated for the adopted past due periods. Historical data (for two years) on collection of receivables were used to calculate the rates. The default rates are calculated for the following ageing groups:

- current
- 30 days past due
- 31–90 days past due
- 91–120 days past due
- 121–180 days past due
- 181–360 days past due
- more than 360 days past due

Impairment losses on trade receivables are calculated as the sum of the products of the rates adopted for the above ageing groups and the amount of outstanding trade receivables in each group as at the reporting date. Trade receivables included in the impairment loss calculation based on the rates from the adopted matrix are exclusive of insured receivables (up to the insurance limit for a given counterparty; with respect to amounts above the limit, impairment losses are calculated using the matrix rates) and receivables from suppliers. The loss rates were in each of these cases determined individually. Below is presented the amount of impairment losses by the past due groups of trade and other receivables:

As at 31 December 2023	current	1–30 days past due	31–90 days past due	91–120 days past due	121–180 days past due	181–360 days past due	more than 360 days past due	Total
Trade receivables analysed as a group								
Trade receivables	98,540	27,514	2,882	763	737	1,293	7,730	139,459
Expected loss rate	0.1%-0,19%	0.1%-0,4%	0.1%-8,75%	25%-34,31%	25%-31,31%	40%-48,82%	95%-100%	-
Expected loss	(147)	(69)	(201)	(157)	(324)	(161)	(7,435)	(8,494)
Trade receivables analysed individually								
Insured trade receivables	60,168	5,900	258	1	35	-	307	66,669
Expected loss rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	-
Expected loss	(301)	(29)	(1)	-	-	-	(2)	(333)
Trade receivables from suppliers	110,668	-	-	-	-	-	-	110,668
Expected loss rate	0%-3%	-	-	-	-	-	-	
Expected loss	(1,036)	-	-	-	-	-	-	(1,036)
Total gross trade receivables	**269,376**	**33,414**	**3,140**	**764**	**772**	**1,293**	**8,037**	**316,796**
Total expected loss	**(1,484)**	**(98)**	**(202)**	**(157)**	**(324)**	**(161)**	**(7,437)**	**(9,863)**
Total trade receivables	**267,892**	**33,316**	**2,938**	**607**	**448**	**1,132**	**600**	**306,933**

(all amounts in PLN thousands, unless stated otherwise)

Other receivables analysed individually								
Other financial receivables	4,568	-	-	-	-	-	-	4,568
Expected loss	(867)	-	-	-	-	-	-	(867)

As at 31 December 2022	current	1–30 days past due	31–90 days past due	91–120 days past due	121–180 days past due	181–360 days past due	more than 360 days past due	Total
Trade receivables analysed as a group								
Trade receivables	113,649	19,443	2,045	689	712	928	6,565	144,031
Expected loss rate	0.1%-0,19%	0.1%-0,4%	0.1%-8,75%	25%-34,31%	25%-31,31%	40%-48,82%	95%-100%	-
Expected loss	(163)	(47)	(43)	(196)	(197)	(420)	(6,234)	(7,300)
Trade receivables analysed individually								
Insured trade receivables	35,602	2,224	51	49	85	56	31	38,098
Expected loss rate	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	-
Expected loss	(179)	(12)	-	-	-	-	-	(191)
Trade receivables from suppliers	68,207	-	-	-	-	-	-	68,207
Expected loss rate	0%-3%	-	-	-	-	-	-	-
Expected loss	(732)	-	-	-	-	-	-	(732)
Total gross trade receivables	**217,458**	**21,667**	**2,096**	**738**	**797**	**984**	**6,596**	**250,336**
Total expected loss	**(1,074)**	**(59)**	**(43)**	**(196)**	**(197)**	**(420)**	**(6,234)**	**(8,223)**
Total trade receivables	**216,384**	**21,608**	**2,053**	**542**	**600**	**564**	**362**	**242,113**

Other receivables analysed individually								
Other financial receivables	4,624	-	-	-	-	-	-	4,624
Expected loss	(871)	-	-	-	-	-	-	(871)

Below is presented change in impairment losses on trade receivables:

-	**Period ended 31 December 2023**	**Period ended 31 December 2022**
At beginning of period	**(8,223)**	**(7,209)**
(Recognition)/Decrease	(2,499)	(2,075)
Write-off	859	1,061
As at end of period	**(9,863)**	**(8,223)**

Trade and other receivables pledged as security

Trade receivables are pledged as security for credit facilities. Please refer to note 17 for details. The amount of receivables pledged as security in the reporting periods is presented below.

	As at 31 December 2023	**As at 31 December 2022**
Receivables pledged as security	110,910	92,595

(all amounts in PLN thousands, unless stated otherwise)

Below is presented change in impairment losses on other receivables:

	Period ended 31 December 2023	Period ended 31 December 2022
At beginning of period	**(871)**	**(902)**
Increase	-	-
Decrease	4	31
As at end of period	**(867)**	**(871)**

16. Equity

	As at 31 December 2023	As at 31 December 2022
Share capital issued	13,062	13,062
Share premium	106,299	106,299
Other components of equity	2,103	2,103
Exchange differences on translation of foreign operations	(1,657)	(1,032)
Retained earnings	926,385	722,392
Total equity	**1,046,192**	**842,824**

16.1. Share capital issued

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

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**

	As at 31 December 2023	As at 31 December 2022
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**

16.2. Retained earnings

Retained earnings include statutory reserve funds from profit distribution and undistributed profit/(loss).

	As at 31 December 2023	**As at 31 December 2022**
Retained earnings at beginning of reporting period	**722,392**	**534,717**
Dividend paid	(19,593)	(19,593)
Undistributed profit	223,586	207,268
Retained earnings at end of reporting period	**926,385**	**722,392**

Changes in undistributed profit

	Period ended 31 December 2023	**Period ended 31 December 2022**
Undistributed profit at beginning of period	**207,268**	**186,024**
Net profit attributable to owners	223,586	207,268
Dividend paid	(19,593)	(19,593)
Transfer to statutory reserve funds	(187,675)	(166,431)
Undistributed profit at end of period	**223,586**	**207,268**

16.3. Dividend for 2022

On 31 March 2023, the Management Board of the Company passed a resolution to recommend that the Annual General Meeting ("AGM") vote to pay a dividend of PLN 19,593,000, or PLN 0.15 per share, for the financial year 2022. On 17 April 2023, the Supervisory Board resolved to endorse the Management Board's recommendation. At its meeting held on 25 May 2023, the Annual General Meeting passed a resolution granting the request, setting 1 June 2023 as the dividend record date. The dividend was paid on 15 June 2023.

	Financial year 2022
Dividends proposed or declared by the date of authorisation of the financial statements for issue, but not recognised as distributed to shareholders, on a per-share basis	0.15
Dividends proposed or declared by the date of authorisation of the financial statements for issue, but not recognised as distributed to shareholders	19,593
Dividends declared and paid (PLN)	19,593,000
Number of dividend-paying shares	130,620,000
Dividends declared and paid per share (PLN)	0.15

(all amounts in PLN thousands, unless stated otherwise)

16.4. Management Board's proposal for the 2023 profit allocation

On 28 March 2024, the Management Board of the Company passed a resolution to recommend a dividend payment for the financial year 2023 to the Annual General Meeting.
Pursuant to the resolution, the Management Board has recommended a dividend payment to the Company's shareholders totalling PLN 19,593,000, or PLN 0.15 per share. On 10 April 2024, the Supervisory Board resolved to endorse the Management Board's recommendation. When finalising the decision regarding dividend payment, the Annual General Meeting will establish the date on which the list of shareholders eligible to receive dividends is prepared (dividend record date) along with the dividend payment date.

	Financial year 2023
Dividends proposed or declared by the date of authorisation of the financial statements for issue, but not recognised as distributed to shareholders, on a per-share basis	0.15
Dividends proposed or declared by the date of authorisation of the financial statements for issue, but not recognised as distributed to shareholders	19,593
Dividends declared and paid (PLN)	-
Number of dividend-paying shares	130,620,000
Dividends declared and paid per share (PLN)	-

17. Borrowings

	As at 31 December 2023	**As at 31 December 2022**
Unsecured – at amortised cost		
Borrowings from related entities	27,250	28,035
	27,250	**28,035**
Secured – at amortised cost		
Overdraft facilities	109,540	158,744
Bank borrowings	163,491	162,533
Other borrowings	-	4
	273,031	**321,281**
Total borrowings	**300,281**	**349,316**
Non-current liabilities	104,146	138,700
Current liabilities (i)	196,135	210,616
Total borrowings	**300,281**	**349,316**

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

	Agreement	**Repayment date**	**Limit**	**Currency**	**As at 31 December 2023**	**As at 31 December 2022**
ING Bank Śląski S.A. (1)	Multi-product facility agreement of 19 October 2015 No. **882/2015/00000925/00**	10.10.2024	177,000			
	Working capital facility in bank account			PLN	74,207	62,080
	Working capital facility in credit account			PLN	70,560	97,244
Santander Bank Polska S.A. (2)	Multi-facility agreement of 26 September 2016 No. **K00922/16**	31.03.2025	90,000			
	Working capital facility in bank account			PLN	-	4,111

(all amounts in PLN thousands, unless stated otherwise)

	Working capital facility in credit account			PLN	50,326	25,000
mBank S.A. (3)	Overdraft facility agreement of 22 October 2019 No. **11/145/19/Z/VV**	30.09.2025	50,000			
	Working capital facility in bank account			PLN	-	48,732
	Working capital facility in bank account			EUR	419	-
mBank S.A. (4)	Working capital facility in credit account agreement of 13 December 2022 No. **11/168/22/Z/OB**.	The agreement expired on 27 March 2023 following repayment of the facility.	15,000			
	Working capital facility in credit account			PLN	-	15,103
mBank S.A. (5)	Working capital facility in credit account agreement of 5 April 2023 No. **11/026/23/Z/LE**.	13.12.2024	15,000			
	Working capital facility in credit account			PLN	15,000	-
BNP Paribas Bank Polska S.A. (6)	Multi-purpose credit facility agreement No. **WAR/8806/21/537/CB** of 13 September 2021	12.09.2025	50,000			
	Working capital facility in bank account			PLN	34,875	43,821
	Working capital facility in bank account			EUR	39	-
BNP Paribas Bank Polska S.A. (7)	Revolving credit facility agreement No. **WAR/8806/22/17/CB** of 24 January 2022	12.09.2025	25,000			
	Working capital facility in credit account			PLN	25,160	25,186
Credit Agricole Bank Polska S.A. (8)	Investment credit facility agreement No. **KRI/S/8/2022** of 13 September 2022	16.09.2028	15,000			
	Investment credit facility in credit account			PLN	2,445	-
Katarzyna Górecka and Aleksander Górecki (9)	Loan agreement of 2 January 2014 (as amended)	31.12.2026	26,700			
	Loan agreement			PLN	27,250	28,035
UniCredit Leasing a.s.	Loan to finance purchase of property, plant and equipment	02.06.2023	70			
	Loan agreement			CZK	-	4
	Total				**300,281**	**349,316**

(1) Within the credit limit granted under the agreement, the subsidiary Maxgear Sp. z o.o. Sp.k. is entitled to draw up to PLN 40,000 thousand, including under the PLN-denominated working capital facility in a bank account and the USD-denominated working capital facility in a credit account. Both companies are jointly and severally liable for the obligations arsing under the agreement. Security: (a) registered pledge over Auto Partner S.A.'s receivables from domestic customers (balance-sheet item) of up to PLN 270,000 thousand, (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 270,000 thousand, (c) assignment of rights under the insurance policy covering the pledged inventories, (d) declaration on voluntary submission to enforcement by Auto Partner S.A. under Art. 777.1.5 of the Code of Civil Procedure of up to PLN 270,000 thousand, (e) declaration on voluntary submission to enforcement by Maxgear Sp. z o.o. Sp. z o.o. under Art. 777.1.5 of the Code of Civil Procedure of up to PLN 270,000 thousand, (f) subordination of borrowings obtained from Katarzyna Górecka and Aleksander Górecki of up to PLN 26,700 thousand. Interest rates: PLN 1M WIBOR + margin, EUR 1M EURIBOR + margin, USD 1M SOFR + margin.

(2) The facility is secured with: a) a 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 135,000 thousand; b) assignment of receivables to the Bank under the insurance policy covering the pledged assets; c) subordination of claims under a loan provided by Katarzyna Górecka and Aleksander Górecki of up to PLN 26,000 thousand; d) registered pledge over trade receivables from

(all amounts in PLN thousands, unless stated otherwise)

trading partners, as per the list attached as an appendix to the pledge agreement, with a minimum amount of PLN 15,000 thousand; e) declaration on submission to enforcement under Art. 777.1 of the Code of Civil Procedure. On 7 February 2024, the Company received confirmation from Santander Bank Polska S.A. that the availability period was automatically extended until 31 March 2025. Interest rates: PLN 1M WIBOR + margin, EUR 1M EURIBOR + margin.

(3) Security: (a) a registered pledge over inventories of merchandise with a value of PLN 75,000 thousand, (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 75,000 thousand, (d) subordination of claims under the loans provided by Katarzyna Górecka and Aleksander Górecki of up to PLN 26,000 thousand. Interest rates: PLN WIBORON + margin, EUR ESTRON + margin.

(4) The agreement expired on 27 March 2023 following repayment of the facility. The credit facility (11/168/22/Z/OB) was secured with the Company's declaration on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 22,500 thousand.

(5) The credit facility is secured with the Company's declaration on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure for up to PLN 22,500 thousand. Interest rates: PLN 1M WIBOR + margin.

(6) Within the credit limit granted under the agreement, the subsidiary Maxgear Sp. z o.o. Sp.k. is entitled to draw up to PLN 35,000 thousand, including under the PLN-denominated working capital facility in a bank account and the USD-denominated working capital facility in a credit account. The companies are liable for the obligations arising under the agreement up to the amounts specified therein. Security: a) declaration by Auto Partner S.A. on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure in respect of contractual payment obligations, for up to PLN 75,000 thousand, with the time limit for filing a request to issue an enforceability order, in substance acceptable to the Bank, set for 12 September 2034; b) declaration by Maxgear Sp. z o.o. Sp. k. on submission to enforcement under Art. 777.1.5 of the Code of Civil Procedure in respect of contractual payment obligations, for up to PLN 52,500 thousand, with the time limit for filing a request to issue an enforceability order, in substance acceptable to the Bank, set for 9 September 2034; c) registered pledge with the maximum security amount of PLN 60,000 thousand 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 60,000 thousand. 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; d) 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 50,000 thousand; e) agreement on subordination of the loan provided by Aleksander Górecki and Katarzyna Górecka under an agreement of 2 January 2014 of up to PLN 26,000 thousand to the facility. Interest rates: PLN 1M WIBOR + margin, EUR 1M EURIBOR + margin.

(7) Security: a) a registered pledge with the maximum security amount of PLN 37,500 thousand over inventories of the borrower's merchandise held at the borrower's branches, b) 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 thousand, with the time limit for filing a request to issue an enforceability order, in substance acceptable to the Bank, set for 30 January 2023, c) 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 thousand, d) an agreement on subordination of claims under the loans provided to the borrower by Katarzyna Górecka and Aleksander Górecki to the credit facility. Interest rate: PLN 1M WIBOR + margin.

(8) Security: 1) registered pledge over the equipment financed with funds drawn on the facility, for up to 120% of the amount disbursed by the Bank under the facility, 2) assignment of any claims under insurance policies covering the equipment financed with funds drawn on the facility, for up to 120% of the amount disbursed by the Bank under the facility, 3) subordination of a loan obtained from Katarzyna Górecka and Aleksander Górecki for up to PLN 26,700 thousand, 4) submission to enforcement under Art. 777.1 of the Code of Civil Procedure in respect of the contractual payment obligations under the Agreement, for up to PLN 12,000 thousand. Interest rates: PLN 1M WIBOR + margin.

(9) Security: none. Interest rate: 3M WIBOR + margin.

18. Provisions

	As at 31 December 2023	**As at 31 December 2022**
Provisions for warranty repairs (i)	2,770	2,811
Other provisions (ii)	5,666	4,041

(all amounts in PLN thousands, unless stated otherwise)

Total	**8,436**	**6,852**
of which:		
Short-term provisions	**8,436**	**6,852**

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

(ii) Including the tax risk provision of PLN 1,722 thousand. In December 2021, the Group was notified of the findings of a customs and tax inspection carried out by relevant authorities under the Value Added Tax Act of 11 March 2004. The result was an additional tax expense for the Group of PLN 423 thousand in respect of the period under review from 1 January to 30 June 2017, and an 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 Group's profit or loss in 2021, the Group decided to submit corrected VAT returns for the period under review. Based on the prudence principle, the Group estimated a provision for potential risks related to future accounting periods from 1 July 2017 to the reporting date. The balance of PLN 3,944 thousand represented a provision for distribution, marketing and other costs.

19. Trade and other payables

19.1. Trade and other payables

	As at 31 December 2023	As at 31 December 2022
Trade payables due in up to 12 months	173,160	148,016
Trade receivables from suppliers	(33,702)	(24,655)
Taxes, customs duties, social security and other benefits payable	6,308	5,875
Liabilities arising from acquisition of property, plant and equipment and intangible assets	8,051	752
Other liabilities	290	227
	154,107	**130,215**
Current liabilities	154,107	130,215
Total	**154,107**	**130,215**

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

19.2. Contract liabilities

	As at 31 December 2023	As at 31 December 2022
Contract liabilities	593	629
Right-of-return liabilities (i)	26,303	18,682
Total	**26,896**	**19,311**

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

(all amounts in PLN thousands, unless stated otherwise)

20. Financial liabilities under lease contracts

Total payments under lease contracts	As at 31 December 2023	As at 31 December 2022
Up to 1 year	47,121	47,205
From 1 year to 5 years	117,818	103,603
Over 5 years	69,914	34,075
	234,853	184,883
Less future finance charges (discount)	(45,134)	(33,267)
Present value of lease liabilities	**189,719**	**151,616**
Current lease liabilities	37,306	39,021
Non-current lease liabilities	152,413	112,595
Total	**189,719**	**151,616**

Present value of lease liabilities	As at 31 December 2023	As at 31 December 2022
Up to 1 year	37,048	39,021
From 1 year to 5 years	91,141	86,744
Over 5 years	61,530	25,851
Total	**189,719**	**151,616**

Finance liabilities under lease contracts relate mainly to leases of property, plant and equipment (rent/lease of property, warehouse facilities, equipment, hardware and vehicles).

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 Group does not recognise any right-of-use assets or lease liabilities. Provided below are the amounts expensed:

	Period ended 31 December 2023	Period ended 31 December 2022
Cost of short-term leases (i)	11,440	9,923
Cost of leases not disclosed due to the low value of underlying assets (ii)	1,571	1,325
Total	**13,011**	**11,248**

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

	As at 31 December 2023
Value of future lease liabilities	97,346
Less future finance charges (discount)	(36,562)
Present value of future lease liabilities (iii)	**60,784**

(iii) The Group 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, which primarily comprise warehouses and warehouse equipment, available for use by the Group by 31 December 2023.

(all amounts in PLN thousands, unless stated otherwise)

21. Notes to the statement of cash flows

21.1. Components of cash

	As at 31 December 2023	As at 31 December 2022
Cash in hand	2,610	1,830
Cash at banks	26,155	28,411
Cash in bank deposits	745	-
Cash in transit	7,814	4,690
Other cash	36	-
Total cash and cash equivalents in the consolidated statement of financial position	**37,360**	**34,931**
in PLN	18,176	18,382
in other currencies (including measurement)	19,184	16,549
Total	**37,360**	**34,931**
including restricted cash - Split Payment accounts	*3,834*	*11,459*

21.2. Notes to the statement of cash flows

	Period ended 31 December 2023	Period ended 31 December 2022
Current income tax recognised in the statement of comprehensive income	(34,577)	(47,236)
Income tax relating to prior periods recognised in the statement of comprehensive income	(322)	(143)
Change in current tax assets	(1,257)	221
Change in current tax liabilities	(19,463)	(4,248)
Set-off of liabilities	(208)	-
Income tax paid	**(55,827)**	**(51,406)**
Change in other long-term receivables	(195)	(661)
Change in trade and other receivables	(75,688)	(39,809)
Adjustment for change in lease receivables	-	(5)
Adjustment for change in receivables from sale of non-current assets	-	(8)
Adjustment for financial liability offset	(1,116)	(250)
Adjustment for advance payments	(870)	(159)
Other	16	50
Change in trade and other receivables	**(77,853)**	**(40,842)**
Loans	(3,537)	(3,400)
Repayment of loans	3,541	3,612
Receipts from lease	-	5
Interest accrued	(104)	(79)
Interest received	104	-
Exchange differences on measurement	-	(122)
Change in loans and leases	**4**	**16**
Change in property, plant and equipment	(67,591)	(112,042)
Change in intangible assets	(11,235)	(9,366)
Adjustment for change in settlements related to purchase of property, plant and equipment and intangible assets	7,299	(706)
Adjustment for lease contracts made	33,548	84,006
Other adjustments	-	74
Purchase of property, plant and equipment and intangible assets	**(37,979)**	**(38,034)**

(all amounts in PLN thousands, unless stated otherwise)

Proceeds from borrowings	-	86,141
Repayment of borrowings	(48,784)	-
Adjustment for change in interest and fees on bank borrowings	532	351
Exchange differences on measurement	2	-
Interest accrued on loan	1,806	-
Payment of interest on loan	(1,475)	-
Adjustment for financial liability offset	(1,116)	-
Change in borrowings	**(49,035)**	**86,492**
New leases	86,879	84,006
Payment of lease liabilities	(43,521)	(36,977)
Adjustment for change in prepayments under lease contracts	(870)	(159)
Adjustment for change in exchange differences arising from measurement	(4,384)	(307)
Other adjustments	(1)	(66)
Change in lease liabilities	**38,103**	**46,497**
Interest and fees paid on bank borrowings	(16,471)	(17,395)
Interest and fees paid on factoring arrangements	(3)	(55)
Interest paid on leases	(10,020)	(5,671)
Interest paid on non-bank borrowing	(1,476)	(832)
Interest and fees paid	**(27,970)**	**(23,953)**

For more information enabling a better understanding of the financial statements, see section 2.13 *'Structure of assets and equity and liabilities, including in terms of liquidity – Sources, amounts, and description of cash flows'* in the Directors' Report on the operations of Auto Partner S.A. and the Auto Partner Group in 2023.

22. Employee benefit obligations and provisions

22.1. Employee benefit obligations and provisions

	As at 31 December 2023	**As at 31 December 2022**
Salaries and wages payable	12,569	9,337
Social security and Employee Capital Plan obligations	11,877	9,001
Provision for accrued holiday entitlements (ii)	6,370	4,259
Provision for retirement and disability benefit obligations (ii)	898	498
Obligation under the Incentive Scheme for 2022 (i)	3,480	11,600
Obligation under the Incentive Scheme for 2020 (iii)	-	538
	35,194	**35,233**
Long-term employee benefit obligations and provisions	1,927	2,661
Short-term employee benefit obligations and provisions	33,267	32,572
Total	**35,194**	**35,233**

(i) For detailed information on the Incentive Scheme for Members of the Management Board for 2022–2024, see section 1.5 *'Incentive scheme for the Group's key employees'* in the Directors' Report on the Company's and the Group's operations in 2023.

Provided below is the status of payments under the Incentive Schemes.

Bonus granted for 2020		Bonus paid	Bonus paid	Bonus paid	Obligation as at 31 December 2023
		in 2021	in 2022	in 2023	
Company's Management Board	3,476	(2,434)	(694)	(348)	-
Subsidiary's Management	1,902	(1,331)	(381)	(190)	-

(all amounts in PLN thousands, unless stated otherwise)

Board					
	5,378	**(3,765)**	**(1,075)**	**(538)**	**-**

Bonus granted for 2022		Bonus paid	Obligation as at 31 December 2023
		in 2023	
Company's Management Board	7,600	(5,320)	2,280
Subsidiary's Management Board	4,000	(2,800)	1,200
	11,600	**(8,120)**	**3,480**

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

(iii) For detailed information on the Incentive Scheme for 2019–2021 and the incentive bonus for 2021, see the Directors' Report on the Company's and the Group's operations in 2021, available at https://ir.autopartner.com/raporty/#raporty-okresowe

The table below shows changes in provisions:

	As at 31 December 2022	recognised	reversed	used	**As at 31 December 2023**
Provision for accrued holiday entitlements	4,259	6,070	-	(3,959)	6,370
Provision for retirement and disability benefit obligations	498	438	-	(38)	898
Provision for obligations under the Incentive Scheme for 2020	538	-	-	(538)	-
Provision for obligations under the Incentive Scheme for 2022	11,600	-	-	(8,120)	3,480
	16,895	**6,508**	**-**	**(12,655)**	**10,748**

22.2. Defined contribution plans

The social security system operates on the basis of a state scheme whereby the Group is required to pay social security contributions to employees when they become due. The Group has no legal or customary obligation to pay future social security benefits. The Group recognises the cost of contributions relating to the current period in profit or loss for the current period as an employee benefit expense.

	Period ended 31 December 2023	**Period ended 31 December 2022**
Contributions financed by the employer, expensed	(35,944)	(28,317)

(all amounts in PLN thousands, unless stated otherwise)

22.3. Employee capital plans

Pursuant to the Act on Employee Capital Plans of 4 October 2018, the Group is obliged to pay specific contributions towards such plans. The Group recognises the cost of contributions relating to the current period in profit or loss for the current period as an employee benefit expense.

	Period ended 31 December 2023	**Period ended 31 December 2022**
Expensed contributions	831	533

23. Categories of financial instruments

	As at 31 December 2023	**As at 31 December 2022**
Financial assets		
Measured at fair value through profit or loss:	**-**	**-**
Held for trading	-	-
Classified for measurement at fair value through profit or loss:	-	-
Measured at amortised cost:	**351,513**	**284,311**
Cash	*37,360*	*34,931*
Trade and other financial receivables	*314,153*	*249,376*
Loans	-	*4*
Assets outside the scope of IFRS 9 – shares	110	110
Financial liabilities		
Measured at fair value through profit or loss:	**-**	**-**
Held for trading	-	-
Classified for measurement at fair value through profit or loss:	-	-
Hedging derivatives	-	-
Measured at amortised cost:	**448,383**	**474,058**
Trade payables	*139,458*	*123,361*
Contract liabilities	*593*	*629*
Liabilities arising from acquisition of property, plant and equipment and intangible assets	*8,051*	*752*
Borrowings	*300,281*	*349,316*
Financial liabilities outside the scope of IFRS 9 – lease liabilities	189,719	151,616

Fair value

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

(all amounts in PLN thousands, unless stated otherwise)

24. Financial risk management

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

Capital management

The purpose of capital management by the Group's Management Board is to ensure that the Group can continue as a going concern and to maximise return for the shareholders by optimising the debt-equity structure. The Group analyses its capital position using the ratio calculated as total liabilities to equity disclosed in the statement of financial position.

	As at 31 December 2023	As at 31 December 2022
Total liabilities	747,731	727,458
Equity	1,046,192	842,824
Debt to equity ratio	**0.71**	**0.86**

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

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 statutory reserve funds (retained earnings) is not available for distribution to shareholders.

	Period ended 31 December 2023	Period ended 31 December 2022
Share capital	13,062	13,062
Statutory reserve funds created to cover losses in accordance with the Commercial Companies Code	**4,354**	**4,354**

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%.

Credit risk

Credit risk at the Group is related mainly to trade receivables, and means the risk that a counterparty will default on its contractual obligations, which will result in financial losses to the Group. As a rule, the Group only trades with customers with proven creditworthiness; if necessary, the Company takes appropriate security to reduce the risk of incurring financial losses due to the customer's default. The Group uses financial information available in the public domain and its own transaction data to assess the creditworthiness of its main customers. The Group's exposure to credit risk is constantly monitored. Trade receivables include amounts due from a large number of customers. Therefore, the Group is not exposed to material credit risk from a single counterparty, although the concentration increases as the scale of its operations on foreign markets grows. Therefore, the Group 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 Group 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 Group typically recognises impairment losses for the full amount of trade receivables that are more than 360 days past due, except for insured receivables. The total net carrying amount of trade receivables (including impairment losses) that are one day or more past due is PLN 39,041 thousand. The Management Board is confident that these receivables pose no risk of non-recovery, considering historical expected loss rates and the fact that a vast majority of these receivables, amounting to PLN 36,254 thousand, is 90 days or less past due. Details on the methodology for calculating impairment losses on receivables can be found in notes 2.9.7 and 15 to these financial statements.

(all amounts in PLN thousands, unless stated otherwise)

The credit risk concentration concerning cash is limited, as the Group invests its cash holdings in Poland and internationally with reputable banks boasting strong credit ratings. The breakdown of cash concentration as at 31 December 2023, based on bank credit ratings, is provided below:

A+ to A- (medium to high) ratings – 54.54%

BBB+ to BBB (medium) ratings – 19.54%

Cash in hand, cash in transit and other cash – 25.92%.

Market risk

Interest rate risk

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

As at the reporting date, the Group's entire debt bearing interest at floating rates was linked mainly to WIBOR (note 17).

The Group's debt includes predominantly interest-bearing debt at floating rates. Presented below is the structure of floating-rate financial instruments and the sensitivity of the Group'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 Group's full-year net profit or loss:

	As at 31 December 2023	**As at 31 December 2022**
Cash at banks	26,900	28,411
Liabilities under bank borrowings	(273,031)	(321,281)
Liabilities under non-bank borrowings	(27,250)	-
Lease liabilities	(66,365)	(73,619)
Variable rate financial assets and liabilities	**(339,746)**	**(366,489)**
Change in financial assets and liabilities	(3,397)	(3,665)
Effect on profit before tax	(3,397)	(3,665)
Tax effect	645	696
Effect of 100 bps increase in interest rate on net profit	**(2,752)**	**(2,969)**
Change in financial assets and liabilities	3,397	3,665
Effect on profit before tax	3,397	3,665
Tax effect	(645)	(696)
Effect of 100 bps decrease in interest rate on net profit	**2,752**	**2,969**

Currency risk

The Group enters into certain transactions denominated in foreign currencies, and thus it is exposed to the risk of exchange rate fluctuations. In the reporting period, the Group used derivative instruments to hedge against the currency risk. The Group is exposed to significant currency risk resulting from its currency exposure, which may affect future cash flows and profit or loss. The main source of currency risk at the Group are purchases of goods in the euro and the US dollar, and sales of goods in the euro, the Czech koruna, the Hungarian forint and the Romanian leu.

The table below presents the Group'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 Group's monetary assets and liabilities denominated in foreign currencies as at the reporting date was as follows:

As at 31 December 2023	**EUR**	**USD**	**CZK**	**HUF**	**RON**	**other**

Trade and other receivables	158,198	-	6,683	3,277	2,932	9
Cash	7,820	112	6,385	3,403	971	493
Bank borrowings	(458)	-	-	-	-	-
Trade payables	(88,330)	(24,216)	(2,521)	(437)	(257)	(57)
Lease liabilities	(103,001)	-	(1,439)	-	-	-
Gross exposure	**(25,771)**	**(24,104)**	**9,108**	**6,243**	**3,646**	**445**
Exchange rate increase +5%						
Profit (loss) before tax	(1,289)	(1,205)	455	312	182	22
Tax effect	245	229	(87)	(59)	(35)	(4)
Effect on net profit (loss)	(1,044)	(976)	369	253	148	18
Exchange rate decrease -5%						
Profit (loss) before tax	1,289	1,205	(455)	(312)	(182)	(22)
Tax effect	(245)	(229)	87	59	35	4
Effect on net profit (loss)	1,044	976	(369)	(253)	(148)	(18)
Exchange rate increase +10%						
Profit (loss) before tax	(2,577)	(2,410)	911	624	365	45
Tax effect	490	458	(173)	(119)	(69)	(8)
Effect on net profit (loss)	(2,087)	(1,952)	738	506	295	36
Exchange rate decrease -10%						
Profit (loss) before tax	2,577	2,410	(911)	(624)	(365)	(45)
Tax effect	(490)	(458)	173	119	69	8
Effect on net profit (loss)	2,087	1,952	(738)	(506)	(295)	(36)

As at 31 December 2022	EUR	USD	CZK	HUF	RON	other
Trade and other receivables	82,400	-	3,614	2,233	2,248	101
Cash	9,820	431	2,151	2,553	809	785
Trade payables	(51,899)	(15,705)	(664)	(80)	(52)	(68)
Lease liabilities	(52,908)	-	(1,982)	-	-	-
Gross exposure	**(12,587)**	**(15,274)**	**3,119**	**4,706**	**3,005**	**818**
Exchange rate increase +5%						
Profit (loss) before tax	(629)	(764)	156	235	150	41
Tax effect	120	145	(30)	(45)	(29)	(8)
Effect on net profit (loss)	(510)	(619)	126	191	122	33
Exchange rate decrease -5%						
Profit (loss) before tax	629	764	(156)	(235)	(150)	(41)
Tax effect	(120)	(145)	30	45	29	8
Effect on net profit (loss)	510	619	(126)	(191)	(122)	(33)
Exchange rate increase +10%						
Profit (loss) before tax	(1,259)	(1,527)	312	471	301	82
Tax effect	239	290	(59)	(89)	(57)	(16)
Effect on net profit (loss)	(1,020)	(1,237)	253	381	243	66
Exchange rate decrease -10%						
Profit (loss) before tax	1,259	1,527	(312)	(471)	(301)	(82)
Tax effect	(239)	(290)	59	89	57	16
Effect on net profit (loss)	1,020	1,237	(253)	(381)	(243)	(66)

Changes in the exchange rates of currencies other than EUR, USD and CZK have no material effect on the Group's profit. The Group's sensitivity to currency risk was further significantly reduced thanks to rapid growth of export sales denominated in the euro, leading to practically no net exposure of the Group to the currency. The continuing high sensitivity to the USD/PLN exchange rate is attributable to the fact that a significant portion of purchases are made in USD (through the subsidiary Maxgear Sp. z o.o. Sp.k. – imports of goods manufactured under private label brands), with no sales made by the Group in that currency.

Liquidity risk

(all amounts in PLN thousands, unless stated otherwise)

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

	As at 31 December 2023	As at 31 December 2022
Factoring agreements:		
Limit	**-**	**10,000**
including:		
Amount used	-	-
Amount available	-	10,000
Secured bank financing:		
Limit	**422,000**	**377,000**
of which:		
Amount used	271,790	320,570
Amount available	150,210	56,430

Apart from the above credit facilities contracted with banks, the Group also uses a loans (see note 17).

As at the end of the reporting period, the Group held highly liquid assets disclosed in the statement of financial position as cash of PLN 37,360 thousand (31 December 2022: PLN 34,931 thousand), which may be at any time used to manage liquidity risk.

For information on liquidity metrics, see section 3.9.4 *'Liquidity metrics of the Company and the Group'* in the Directors' Report on the operations of Auto Partner S.A. and the Auto Partner Group in 2023.

The table below presents the Group's liabilities by maturity as at 31 December 2023 and 31 December 2022, based on contractual payments at nominal value.

	Note	Carrying amount	past due	<=30 days	31–90 days	91–365 days	1–5 years	> 5 years
As at 31 December 2023								
Interest-bearing credit facilities	17	273,031	-	1,328	-	159,054	112,649	-
Interest-bearing loans	17	27,250	-	550	-	-	26,700	-
Lease liabilities	20	189,719	-	4,803	8,879	33,439	117,818	69,914
Trade payables	19	139,458	-	95,662	43,796	-	-	-
Other liabilities	19	14,649	-	13,572	1,077	-	-	-
		644,107	**-**	**115,915**	**53,752**	**192,493**	**257,167**	**69,914**

	Note	Carrying amount	past due	<=30 days	31–90 days	91–365 days	1–5 years	> 5 years
As at 31 December 2022								
Interest-bearing credit facilities	17	321,281	-	103	29,110	69,011	223,057	-
Interest-bearing loans	17	28,035	-	-	-	-	28,035	-
Lease liabilities	20	151,616	-	3,660	7,755	35,790	103,603	34,075
Trade payables	19	123,361	-	86,632	36,672	57	-	-
Other liabilities	19	6,854	-	6,396	458	-	-	-
		631,147	**-**	**96,791**	**73,995**	**104,858**	**354,695**	**34,075**

25. Related-party transactions

All transactions with related parties are made on an arm's length basis. Transactions between the parent and its related parties were eliminated on consolidation and are not presented in this note. Detailed information about transactions between the Group and other related parties is presented below.

(all amounts in PLN thousands, unless stated otherwise)

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

Sales of goods and services and other income	**Period ended 31 December 2023**	**Period ended 31 December 2022**
entities related to members of the Management Board and the Supervisory Board	**61**	**168**
including:		
sales of goods	-	*4*
re-charge of costs	*61*	*164*
members of management boards of subsidiaries	**17**	**18**
including:		
sales of goods	*2*	*3*
re-charge of costs	*15*	*15*
Total	**78**	**186**

Purchase of goods and services and other purchases	**Period ended 31 December 2023**	**Period ended 31 December 2022**
entities related to members of the Management Board and the Supervisory Board	**2,239**	**1,318**
including:		
purchase of services	*2,239*	*1,318*
members of management boards of subsidiaries	**664**	**220**
including:		
purchase of services	*664*	*220*
Total	**2,903**	**1,538**

Receivables	**As at 31 December 2023**	**As at 31 December 2022**
entities related to members of the Management Board and the Supervisory Board	55	10
members of management boards of subsidiaries	1	-
Total	**56**	**10**

Liabilities	**As at 31 December 2023**	**As at 31 December 2022**
entities related to members of the Management Board and the Supervisory Board	199	214
members of management boards of subsidiaries	36	7
Total	**235**	**221**

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

Sales of goods and services and other income	**Period ended 31 December 2023**	**Period ended 31 December 2022**
Management Board members	**38**	**31**
including:		
re-charge of costs	*38*	*31*

(all amounts in PLN thousands, unless stated otherwise)

Total	**38**	**31**

Receivables	**As at 31 December 2023**	**As at 31 December 2022**
Management Board members	97	322
Total	**97**	**322**

Salaries	**Period ended 31 December 2023**	**Period ended 31 December 2022**
Management Board members	1,056	8,361
Members of management boards of subsidiaries	240	4,240
Supervisory Board	173	170
Total	**1,469**	**12,771**

Obligation under the Incentive Scheme	**As at 31 December 2023**	**As at 31 December 2022**
Management Board members (note 22)	2,280	348
Members of management boards of subsidiaries (note 22)	1,200	190
Total	**3,480**	**538**

For information on gross remuneration paid to management personnel, see section 1.9 *'Remuneration of members of Auto Partner S.A. Management and Supervisory Boards'* in the Directors' Report on the operations of Auto Partner S.A. and the Auto Partner Group in 2023.

<u>Loans advanced to the Group</u>

	As at 31 December 2023	**As at 31 December 2022**
Loan advanced by Katarzyna Górecka and Aleksander Górecki (i) (note 17)	27,250	28,035
Total	**27,250**	**28,035**

Finance costs	**Period ended 31 December 2023**	**Period ended 31 December 2022**
Interest expense recognised	(2,414)	(1,335)
Total	**(2,414)**	**(1,335)**

(i) Aleksander Górecki, as the sole founder of Turzyńska Fundacja Rodzinna (the "Foundation"), a beneficiary of the Foundation, a member of the Foundation's Beneficiaries' Meeting, and the sole member of the Foundation's Management Board, indirectly holds Company shares through the Foundation, representing 43.60% of the Company's share capital and 43.60% of total voting rights at the Company's General Meeting. Mr Górecki also serves as the President of the Management Board of the Company. Katarzyna Górecka is a member of the Beneficiaries' Meeting of Turzyńska Fundacja Rodzinna and is a Beneficiary of the Foundation.

26. Contingent liabilities, future contract liabilities, guarantees provided, and contingent assets

Bank guarantees:

(all amounts in PLN thousands, unless stated otherwise)

– PLN 42 thousand bank guarantee No. KLG57699IN19 of 1 March 2019, provided in connection with commercial property lease contract of 15 February 2019, valid until 6 May 2024, granted within credit limit of the facility provided by ING Bank Śląski S.A. (see note 17)

– EUR 951 thousand bank guarantee No. DOK2419GWB20AR of 27 July 2020, provided in connection with a contract for rent of property in Bieruń, valid until 15 July 2026, granted within credit limit of the facility provided by Santander Bank Polska S.A. (see note 17)

– EUR 190 thousand bank guarantee No. DOK2418GWB20TI of 27 July 2020, provided in connection with a contract for rent of property in Pruszków, valid until 31 December 2024, granted within credit limit of the facility provided by Santander Bank Polska S.A. (see note 17)

- EUR 213 thousand bank guarantee No. DOK4042GWB21KW of 13 October 2021, provided in connection with a contract for rent of property in Poznań, valid until 29 June 2025, granted within credit limit of the facility provided by Santander Bank Polska S.A. (see note 17)

– EUR 485 thousand bank guarantee No. DOK1141GWB22WS of 25 March 2022 (as amended), provided in connection with a contract for rent of property in Mysłowice, valid until 30 September 2024, granted within credit limit of the facility provided by Santander Bank Polska S.A. (see note 17)

– PLN 68 thousand bank guarantee No. DOK1330GWB22KW of 12 April 2022, provided in connection with a contract for rent of property in Tychy, valid until 31 March 2025, granted within credit limit of the facility provided by Santander Bank Polska S.A. (see note 17)

– PLN 2,000 thousand bank guarantee No. KLG87054IN23 of 3 April 2023, provided in connection with a distribution agreement, valid until 31 December 2024, granted within the credit limit of the facility provided by ING Bank Śląski S.A. (see note 17).

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 15 July 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 Group 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.

27. Auditor fees

On 11 April 2022, the Supervisory Board passed a resolution to appoint PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. of Warsaw to audit the separate and consolidated financial statements for the financial years 2022, 2023, 2024 and to review the interim separate and consolidated financial statements for 2022, 2023, 2024. The agreement was signed on 5 May 2022. PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. of Warsaw is entered in the list of qualified auditors of financial statements maintained by the National Chamber of Statutory Auditors under Reg. No. 144.

VAT-exclusive auditor fees for auditing the financial statements:

	Period ended 31 December 2023	**Period ended 31 December 2022**
Audit of full-year financial statements	335	275
Review of financial statements	109	90
Total auditor fees	**444**	**365**

(all amounts in PLN thousands, unless stated otherwise)

28. Headcount at the Group

	As at 31 December 2023	As at 31 December 2022
Management and administration	150	132
Sales and marketing	986	888
Logistics and storage	1,660	1,307
Total (persons)	**2,796**	**2,327**

29. Events subsequent to the reporting date

1) On 24 January 2024, an agreement was signed with Global One Automotive GmbH of Frankfurt whereby the Company advanced a loan of EUR 750 thousand to Global One. The loan bore interest at 3M EURIBOR + margin. The agreement was concluded for a definite term from 1 February 2024 to 31 July 2024. The Company holds 6.25% of shares in Global One Automotive GmbH as a participant in the International Purchasing Group (since 2017).

2) On 23 January 2024, the Company's Supervisory Board approved the Rules of the 2024–2025 Incentive Scheme for Members of the Auto Partner S.A. Management Board, providing for the payment of additional remuneration on account of appointment to the Company's Management Board, linked to the Company's financial performance. The Scheme is intended for the following members of the Company's Management Board: Andrzej Manowski, Piotr Janta and Tomasz Werbiński. The purpose of the Scheme is to establish mechanisms to encourage activities that would 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. For detailed rules of awarding the incentive bonus, visit the Company's website https://ir.autopartner.com/lad-korporacyjny/#polityka-wynagrodzen. The total amount of bonuses to be paid in accordance with the Rules will not exceed PLN 5,600,000 over the entire duration of the Scheme. In the first year of the Scheme, the total amount of Bonuses for 2024 to be paid in accordance with the Rules will not exceed PLN 2,800,000.

3) On 23 January 2024, the General Meeting of Maxgear sp. z o.o. approved the Rules of the 2024–2025 Incentive Scheme for members of the Management Board of Maxgear sp. z o.o., Grzegorz Pal and Arkadiusz Cieplak. Its terms will be the same as those applying to members of the Auto Partner S.A. Management Board. The total amount of Bonuses to be paid in accordance with the Rules will not exceed PLN 2,000,000 during the term of the Scheme. In the first year of the Scheme, the total amount of Bonuses for 2024 to be paid in accordance with the Rules will not exceed PLN 1,000,000.

4) On 28 March 2024, the Management Board of the Company passed a resolution to recommend a dividend payment for the 2023 financial year to the Annual General Meeting. Pursuant to the resolution, the Management Board has recommended a dividend payment to the Company's shareholders totalling PLN 19,593,000, or PLN 0.15 per share. On 10 April 2024, the Supervisory Board resolved to endorse the Management Board's recommendation. When finalising the decision regarding dividend payment, the Annual General Meeting will establish the date on which the list of shareholders eligible to receive dividends is prepared (dividend record date) along with the dividend payment date.

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

As regards the consequences of the coronavirus pandemic, in 2023 the Group did not identify any impediments to its business or any direct impact on its financial performance.

31. Impact of Russia's military invasion of Ukraine on the Group's business

The Group identified no impact of the war in Ukraine on its operations in 2023. The Group's exposure to the Ukrainian market is negligible, accounting for less than 0.5% of its monthly revenue. To manifest solidarity with Ukraine, on 24 February 2022 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. Before 24 February 2022, the Group's exports to the Russian and Belarusian markets accounted for 0.1% and 0.02%, respectively, of its monthly revenue.

As at the date of authorisation of these financial statements, the situation in Ukraine did not have a material impact, whether direct or indirect, on the Group's operations, business continuity or financial condition. There were no indications of asset impairment linked to the conflict in Ukraine, as the Group does not possess any non-financial assets in Ukraine that could be affected by military operations there. Assuming that the armed conflict in Ukraine does not extend to neighbouring countries, particularly Poland and other EU nations, it is not expected to significantly affect the Group's sales volumes, cash flows, and profitability in the long term.

However, it is important to note that this expectation, based on the best knowledge of the Management Board, may differ from the actual impact given uncertainty arising from the unpredictable nature and effects of the Russian Federation's military actions in Ukraine on the economic landscape of Poland and Europe, and consequently, their influence on the Group's sales volumes, cash flows, and profitability. The Management Board is monitoring the situation to the extent it could potentially affect the Group's business in future periods.

32. Impact of climate-related risks on the Group's business

The Group does not have any material exposure to climate-related risks that could affect its financial statements. For a description of climate-related risks, see section 3.1.1 *'Risk factors related to the Company's and the Group's operating environment – Risks related to climate change'* in the Directors' Report on the operations of Auto Partner S.A. and the Auto Partner Group in 2023.

33. Authorisation of the financial statements for issue

These consolidated financial statements were authorised for issue on 10 April 2024.

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

Tomasz Werbiński – Member of the Management Board

Signature of the person preparing the financial statements

Kamila Obłodecka-Pieńkosz – Chief Accountant