BOLIX S.A. GROUP

Consolidated financial statements
as at and for the year ended
31 December 2021
prepared in accordance with International Financial Reporting Standards
as endorsed by the European Union (IFRS EU)

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Contents

Consolidated statement of comprehensive income for the year ended 31 December 2021

(in PLN'000)	Note	2021	2020
Sales revenue	4A	194,897	162,483
Cost of sales	3B	(113,834)	(91,643)
Gross profit on sales		**81,002**	**70,840**
Other operating income	4B	632	654
Selling expenses	3A	(51,277)	(45,896)
General administrative expenses	3A	(10,874)	(9,325)
Other operating expenses	5	(72)	(176)
Operating profit		**19,412**	**16,097**
Finance income	6	654	12
Finance costs	7	(444)	(863)
Loss on financial activities		**210**	**(851)**
Share in the other comprehensive income of associates and joint ventures		**37**	**(59)**
Profit before tax		**19,659**	**15,187**
Income tax	9A	(5,846)	(2,539)
Net profit for the year		**13,813**	**12,648**
Foreign exchange differences on translation		**(63)**	**178**
Other comprehensive income		**-**	**-**
Total comprehensive income for the year		**13,750**	**12,826**

The consolidated statement of comprehensive income should be analysed together with the notes to the consolidated financial statements which are an integral part thereof.

Consolidated statement of financial position as at 31 December 2021

(in PLN'000)	Note	31.12.2021	31.12.2020
Assets			
Property, plant and equipment	10	36,942	26,540
Goodwill	11	104,431	104,431
Intangible assets	11	1,113	114
Investments accounted for using the equity method		273	235
Total non-current assets		142,759	131,320
Inventories	12	16,915	11,196
Trade and other receivables	13	33,067	25,075
Other current assets	14	3,279	2,432
Income tax receivables		-	171
Cash and cash equivalents	15	2,499	1,691
Total current assets		55,761	40,565
TOTAL ASSETS		**198,519**	**171,885**
Equity			
Share capital	16	10,000	10,000
Supplementary capital	16	95,849	88,469
Foreign exchange differences on translation		491	554
Retained earnings		21,967	21,808
Total equity		128,307	120,831
Liabilities			
Liabilities in respect of loans and borrowings	17	5,333	-
Deferred income tax provision	9B	15,399	13,341
Employee benefits payable	18	410	409
Lease liabilities		3,520	1,955
Total non-current liabilities		24,662	15,705
Liabilities in respect of loans and borrowings	17	14,063	8,740
Trade and other payables	20A	21,926	17,296
Lease liabilities		1,869	2,181
Income tax liabilities		1,436	1,752
Employee benefits payable	20B	4,778	4,626
Provisions	19	1,478	754
Total current liabilities		45,550	35,349
Total liabilities		70,212	51,054
Total equity and liabilities		**198,519**	**171,885**

The consolidated statement of financial position should be analysed together with the notes to the consolidated financial statements which are an integral part thereof.

Consolidated statement of cash flows for the year ended 31 December 2021

(in PLN'000)	Note	2021	2020
Cash flows from operating activities			
Profit before tax		19,659	15,187
Adjustments for:			
Depreciation of PPE	10	6,040	5,478
Amortization of IA	11	293	101
Unrealized foreign exchange differences		-	-
Net interest expense		318	354
Gain on sale/scrapping of fixed assets	4B	321	(279)
		25,989	20,841
Changes in working capital			
Increase in inventories		(5,719)	(1,993)
Decrease in trade and other receivables		(7,992)	3,724
Increase in other assets		(847)	(531)
Increase in provisions		724	344
Increase in liabilities (including employee benefits)		4,802	2,444
		(9,032)	3,988
Interest paid		-	-
Income tax (paid)		(4,034)	(2,123)
Net cash from operating activities		12,923	22,706
Cash flows from investing activities			
Proceeds from sale of fixed assets		558	397
Purchase of shares		-	-
Purchase of property, plant and equipment	10	(12,977)	(5,548)
Purchase of intangible assets	11	(1,292)	(32)
Net cash from investing activities		(13,711)	(5,183)
Cash flows from financing activities			
Proceeds from loans raised		10,656	-
Repayment of loans and borrowings raised		-	(5,293)
Repayment of interest on loans raised		(223)	(243)
Repayment of interest on leases		(95)	(111)
Repayment of lease liabilities		(2,468)	(1,444)
Dividends paid		(6,274)	(9,901)
Net cash from financing activities		1,596	(16,992)
Net change in cash and cash equivalents		808	531
Cash and cash equivalents at the beginning of the year		**1,691**	**1,160**
Effects of changes in the rates of exchange of cash and cash equivalents		-	-
Cash and cash equivalents at the end of the year	15	**2,499**	**1,691**

The consolidated statement of cash flows should be analysed together with the notes to the consolidated financial statements which are an integral part thereof.

Statement of changes in consolidated equity

(in PLN'000)	Share capital	Supple-mentary capital	Foreign exchange differences on translation	Retained earnings	Total
As at 1 January 2020	**10,000**	**88,912**	**376**	**18,666**	**117,954**
Comprehensive income for the financial year					
Net profit for the period	-	-	-	12,648	12,648
Exchange differences on translation of foreign operations	-		178	-	178
Comprehensive income for the period	**-**	**-**	**178**	**12.648**	**12.826**
Transfer of profit for 2019 to supplementary capital	-	9,506	-	(9,506)	-
Dividend	-	(9,949)	-	-	(9,949)
Increase (decrease) in the value of equity	**-**	**(443)**	**-**	**(9.506)**	**(9.949)**
At 31 December 2020	**10,000**	**88,469**	**554**	**21,808**	**120,831**
Comprehensive income for the financial year					
Net profit for the period	-	-	-	13,813	13,813
Exchange differences on translation of foreign operations	-		(63)	-	(63)
Comprehensive income for the period	**-**	**-**	**(63)**	**13.813**	**13.750**
Transfer of profit for 2020 to supplementary capital	-	13,654	-	(13,654)	-
Exchange differences on translation of foreign operations	-		(63)	-	(63)
Dividend	-	(6,274)	-	-	(6,274)
Increase (decrease) in the value of equity	**-**	**7.380**	**-**	**(13.654)**	**(6.274)**
As at 31 December 2021	**10,000**	**95,849**	**491**	**21,967**	**128,307**

The consolidated statement of changes in equity should be analysed together with the notes to the consolidated financial statements which are an integral part thereof.

Notes to the consolidated financial statements
(in thousands of Polish zlotys, unless otherwise stated)

1. Key accounting policies

(a) General information

The Parent:
Name: Bolix Spółka Akcyjna (joint stock company)
Registered office: 34-300 Żywiec ul. Stolarska 8
Registration court: National Court Register (KRS) 0000230009, District Court in Bielsko-Biała, 8th Business Department

Subsidiaries consolidated in the financial statements of the Bolix S.A. Group

Entities	Address of the registered office	% share in share capital
BUILD TRADE sp. z o.o.	34-300 Żywiec ul. Stolarska 8	100%
Bolix UKRAINA Sp. z o.o.	ul. Promyslowa, 10 m. Wysznewe, Kijewskaja oblast Ukraine 08132	99% BOLIX S.A. 1% BUILD-TRADE Sp. z o.o.
SOLTHERM EXTERNAL INSULATIONS LIMITED	Challenge House Sherwood Drive, Bletchley Milton Keynes MK3 6DP UK	100 %
SOLTHERM INSOLATIONS THERMIQUE EXTERIEURE SAS	14 rue Charles V 75004 Paris 04 France	100%

Bolix S.A. (the Parent) was established on 13 February 2003. The Parent's registered office is in Żywiec (Poland). The Group commenced its business activities in September 2003 by acquiring the business of the former Bolix Sp. z o.o.

On 7 March 2005, based on the resolution adopted by the Shareholders' Meeting on 14 February 2005, the Parent Company changed its legal status from that of a limited liability company, Bolix Sp. z o.o., to a joint stock company, Bolix S.A. Since 18 August 2008, Lusako Trading Limited, a Group incorporated under the law of Cyprus (no. HE 195096), owned by the Berger Paints India Limited Group, has been the Group's sole shareholder which controls it.

The Bolix S.A. Group (the "Group") consists of Bolix S.A. and its subsidiaries. The core activities of the BOLIX S.A. Group include the manufacture and sale of exterior insulation and finish systems (EIFS), including acrylic, silicate and mineral plasters, tile and thermal insulation adhesives, mortars and a variety of paints under the Bolix brand. Sales are made in Poland and abroad. Export sales include sales to customers situated in Great Britain, France, Ukraine, Russia, Lithuania, Latvia, Slovakia, Germany, Belgium and other countries.

Notes to the consolidated financial statements
(in thousands of Polish zlotys, unless otherwise stated)

Build-Trade spółka z ograniczoną odpowiedzialnością (limited liability company) was established in 2010 and entered in the National Court Register on 20 October 2010 with the reference number 0000368408. The entity commenced its activities in May 2011.

Bolix Ukraina Spółka z ograniczoną odpowiedzialnością (limited liability company), acting in Ukraine as ТОВ «Болікс Україна» вул. Промислова, буд. 10 м. Вишеневе, Київська обл. Україна 08132, was established in 2011 and was registered in Ukraine with the Identification number 37716684.
The entity commenced its activities in 2012.

Soltherm External Insulation Limited operating in the United Kingdom was established and commenced its activities on 22 January 2016.
Soltherm Insolations Thermique Extérieure operating in France, after the purchase of shares by Bolix S.A., commenced its activities on 11 July 2016.

On 9 January 2018, the purchase of shares in Surefire Management Services Ltd. (SMS Ltd) was finalized. Bolix holds 75% of the shares in Surefire Management Services Ltd. However, control over the company is common as Bolix S.A. only has the right to appoint two out of four executives. Surefire Management Services Ltd. is recognized under the equity method.

In 2021, SMS Ltd. generated revenue of PLN 62,064 thousand and net profit of PLN 54 thousand. Its total assets amount to PLN 17,600 thousand and include current assets only.

Core activities of the Group entities

Group	Core activities
Bolix Spółka Akcyjna	**Manufacture and sale of construction materials – PKD (Polish Classification of Activities) 23.64.Z; Wholesale of wood, construction and sanitary materials (PKD 46.73.Z) Renting and leasing of other machinery (PKD 77.39.Z)**
BUILD TRADE sp. z o.o.	**Activities of agents involved in the sale of timber and construction materials (PKD 46.13.Z)**
Bolix UKRAINA sp. z o.o.	**Trading activities – wholesale trade of construction materials Manufacture of dry building mixtures**
SOLTHERM EXTERNAL INSULATIONS LIMITED Great Britain	**Distribution, marketing, advisory and sales support services**
SOLTHERM INSOLATIONS THERMIQUE EXTERIEURE France	**Distribution, marketing, advisory and sales support services**
SUREFIRE MANAGEMENT SERVICES LIMITED	**Providing means of energy-effectiveness to residential buildings owned or managed by housing co-operatives and municipal councils**

Duration of the Bolix S.A. Group entities

The Group entities were established for an unlimited period of time.

The period included in the consolidated financial statements

The consolidated financial statements of the BOLIX S.A. Group includes the data for the reporting period beginning on 1 January 2021 and ending on 31 December 2021. The comparative data covers the period from 1 January 2020 to 31 December 2020.
These consolidated financial statements as at and for the year ended 31 December 2021 are the consolidated financial statements prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ("EU IFRS").

(b) Statement on compliance of the consolidated financial statements with the International Financial Reporting Standards

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards endorsed by the European Union, hereinafter referred to as "EU IFRS".

Pursuant to Resolution No. 1 of the Extraordinary General Meeting of Bolix S.A. dated 24 January 2008 that was passed on the basis of Article 45, paragraph 1c of the Accounting Act dated 29 September 1994 (the "Accounting Act"), starting from 1 January 2007 the Group has been preparing its financial statements in accordance with EU IFRS to meet the legislative requirements.

The financial statements were approved by the Management Board of the Group on 10 May 2022.

(c) Principles of preparation of the financial statements

The financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of these financial statements there are no circumstances indicating any risks to the Company's ability to continue as a going concern.

As at 31 December 2021, current assets exceeded current liabilities by PLN 10,211 thousand.

The Management Board also believes that the Group is able to pay its short-term liabilities which are largely composed of payments in respect of bank loans thanks to the Group's net cash inflows from operating activities on a timely basis.

The assessment of the Group's Management Board is based on the results of the action taken to refinance the bank loan agreements. In December 2021 the Group drew an investment loan for the purchase of real estate which was described in Note 17.

The consolidated financial statements have been prepared on the historical cost basis except for financial assets and financial liabilities which are measured at fair value through profit or loss.

The preparation of consolidated financial statements in accordance with the EU IFRS requires the Management Board to make judgments, estimates and assumptions that affect the application of the adopted accounting policies and the presented values of assets, liabilities, revenue and expenses whose actual values may differ from the estimated values.

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(d) Significant estimates

The accounting estimates and the related assumptions are reviewed continuously. Changes in accounting estimates are recognized prospectively starting from the period in which an estimate was changed.

In particular, the significant areas of uncertainty regarding the judgments made by applying the accounting policies that have had the most significant effect on the values recognized in the financial statements are presented in Notes 8, 9, 10, 12, 19 and 20 B.

The accounting policies adopted by the Group were applied consistently in the periods covered by these financial statements.

New and revised standards and interpretations applied:

In these financial statements, the following new and revised standards effective from 1 January 2020 have been applied for the first time:

a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 related to the IBOR reform

In response to the expected interest rate benchmark reform (IBOR reform) the International Accounting Standards Board published the phase two part of amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, applicable as of 1 January 2021. The amendments refer to the accounting issues which arise when the financial instruments based on IBOR will be replaced by new interest rates. The amendments introduce several guidelines and exemptions, in particular a practical simplification in the event of the contract modification that the reform requires, which will be recognized by updating the effective interest rate, exempting from the duty to discontinue hedge accounting, temporarily exempting from the necessity to identify the risk component, and the duty to make additional disclosures.

These changes have no impact on the financial statements.

b) Amendments to IFRS 16 “Leases”

In connection with the COVID-19 pandemic, in 2020 an amendment was introduced to IFRS 16 which enables simplifying the assessment of whether the amendments to lease contracts concluded during the pandemic constitute lease modifications. As a result, the lessees may apply the simplification consisting of not applying the IFRS guidelines relating to modifications of lease contracts. The amendment related to a reduction in lease payments due by 30 June 2021 at the latest and applied to reporting periods beginning on or after 1 June 2020.

In March 2021 the Board extended the possibility of applying the practical solution relating to reliefs in lease payments to June 2022. The amendment was endorsed by the European Union with the option to apply it in respect of periods beginning on 1 January 2021.

These amendments had no impact on the Group.

Published standards and interpretations which are not yet in force and have not been adopted early by the Company

In these financial statements, the Group decided not to apply the following published standards, interpretations or amendments to the existing standards early, before their effective dates:

a. Amendments to IAS 1 "Presentation of Financial Statements"

The Board has published amendments to IAS 1 that clarify the presentation of liabilities as current and non-current. The amendments published apply to annual periods that begin on or after 1 January 2023.

As at the date of preparation of these consolidated financial statements the amendments have not yet been endorsed by the European Union.

b. Amendments to IAS 16 "Property, plant and equipment"

The amendment prohibits adjusting to the manufacturing cost of property, plant and equipment for amounts received from the sale of items produced while the property, plant and equipment is being prepared to commence operation as intended by the management. Instead, the entity shall recognize the aforementioned sales revenue and related expenses directly in the income statement. The amendment applies to annual periods beginning on or after 1 January 2022.

c. Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"

The amendment to IAS 37 provides clarification on the costs that an entity considers when analysing whether a contract is onerous. The amendment applies to annual periods beginning on or after 1 January 2022.

d. Annual improvements to IFRS 2018 - 2020

"Annual Improvements to IFRS 2018-2020" amend the following standards: IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and the illustrative examples to IFRS 16 "Leases".

The improvements include explanations and precisely set out the standard guidelines for recognition and measurement.

e. Amendments to IAS 1 "Presentation of financial statements" and the IASB guidelines with respect to disclosures relating to the practical application of accounting policies

The amendments to IAS 1 introduces the requirement to disclose material information on accounting policies defined in the standard. The amendment explains that the information on accounting policies is material if in the event of its absence the users of the financial statements would not be able to understand other material information in the financial statements. In addition, the Board's guidelines as to the use of the materiality concept in practice were changed, to ensure guidelines on the use of the materiality concept to disclosures on accounting policies. The amendment applies to periods beginning on 1 January 2023.

f. Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"

In February 2021 the Board published an amendment to the definition of estimates in IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". The amendment to IAS 8 explains how entities should differentiate between changes in accounting policies and changes in estimates. The amendment applies to periods beginning on 1 January 2023.

g. Amendments to IAS 12 "Income taxes"

Amendments to IAS 12 precisely indicate how to account for deferred tax on transactions such as leases and liabilities with respect to decommissioning. Before the amendments, it was unclear whether the exemption relating to recognizing deferred tax recognized for the first time applied to this type of transaction, i.e. with respect to which both deferred tax assets and liabilities are recognized. The amendments to IAS 12 explain that the exemption does not apply and that entities

should recognize deferred tax on such transactions. The amendments impose a duty on companies to recognize deferred tax on transactions which on initial recognition cause identical temporary deductible and taxable differences to arise.
The amendment applies to annual periods beginning on or after 1 January 2023. As at the date of preparation of these consolidated financial statements the improvements have not yet been endorsed by the European Union.

h. Amendments to IFRS 17 "Insurance Contracts"
The amendments relate to the temporary requirements in connection with the first time application of IFRS 17 "Insurance contracts" and IFRS 9 "Financial instruments". The amendment introduces the option to improve the usefulness of information for investors on the first-time use of the new standard.
The amendments relate exclusively to the transition of the insurers to the new standard and has no impact on any other requirements included in IFRS 17.
As at the date of preparation of these consolidated financial statements the improvements have not yet been endorsed by the European Union.

i. IFRS 14 "Regulatory Deferral Accounts"
This standard allows entities which prepare IFRS financial statements for the first time (as of 1 January 2016 or after that date) to recognize the amounts resulting from operations at regulated prices in accordance with the accounting policies used previously. To improve comparability with those entities that are already using IFRS and do not disclose such amounts, in accordance with the published IFRS 14, the amounts relating to operations using regulated prices or rates should be presented under a separate item both in the statement of financial position and in the income statement and in the statement of other comprehensive income.
The European Union decided not to endorse IFRS 14.

j. Amendments to IFRS 10 and IAS 28 relating to sales or contribution of assets between an investor and its associates or joint ventures
The amendments resolve the issue of the current inconsistency between IFRS 10 and IAS 28. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or a joint venture constitute a business.
If the non-monetary assets constitute a business, the investor is required to disclose the full profit or loss on the transaction. If the assets do not meet the definition of a business, the investor recognizes the profit or loss eliminating the portion which comprises the interests of other investors.
As at the date of preparation of these consolidated financial statements the amendment has not yet been endorsed by the European Union.

In the opinion of the Management Board the above amendments will not have an impact on these or future financial statements.

(e) Foreign currency transactions

Functional currency and presentation currency

The financial statements are presented in Polish zlotys, rounded to the nearest thousand.

The Group presents its financial reporting in the currency which reflects the nature of the events and the circumstances relating to the Group's operations (the "functional currency"). The Polish zloty (PLN) is the Group's functional currency.

Transactions denominated in foreign currencies

Transactions denominated in foreign currencies are translated at the exchange rate in force on the transaction date. As at the balance sheet date, monetary assets and liabilities denominated in foreign currencies were translated into Polish zlotys at the exchange rate in force as at that date. Foreign exchange differences arising on the translation of transactions denominated in foreign currencies into Polish zlotys were reported as a profit or loss for the current period. Non-monetary assets and liabilities denominated in foreign currencies, which are reported on the historical cost basis, are translated at the exchange rate in force on the transaction date.

(f) Property, plant and equipment

Property, plant and equipment owned by the Group

Items of property, plant and equipment are recognized at cost of purchase or manufacture, less accumulated depreciation (see below) and impairment write downs (if any) (see point (m) of the accounting policies below).

The cost of purchase includes the purchase price of an asset and the costs directly attributable to the purchase and to bringing the asset to a working condition, including expenses relating to transport, loading and unloading, storage, as well as direct labour costs (in the case of an item of property, plant and equipment manufactured internally). Rebates, trade discounts, or other such items, and recovered amounts reduce the cost of purchase of an asset. The cost of manufacture of a fixed asset or fixed assets under construction includes total costs incurred during the period of its construction, assembling, adaptation and improvement incurred by the date of such asset being commissioned for use (or by the balance sheet date if the asset has not yet been commissioned for use). Where required, the cost of manufacture also includes a preliminary estimate of the costs of dismantling and removing items of property, plant and equipment and restoring to them to their original condition. The cost of purchase may also be adjusted for gains or losses on the eligible cash flow hedges, transferred from the respective equity items, relating to foreign purchases of property, plant and equipment, previously recognized in the statement of comprehensive income. Purchased software which is necessary for the proper functioning of the related equipment is capitalized as part of that equipment.

Borrowing costs related to the acquisition or manufacture of specific assets increase the cost of purchase or manufacture of these assets.

Where a specific item of property, plant and equipment consists of separate and significant components with different useful lives, these components are treated as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the assets disposed of, and are recognized as a profit or loss for the current period, in other operating income or other operating expenses.

Leased assets

Leases are accounted for as right-of-use assets and obligations to pay for these rights on the date on which the leased assets are available for use by the Company.
On the date of inception of a lease, lease liabilities are stated at an amount equal to the present value of the following lease payments for the right to use the underlying asset over the life of the lease:
● fixed payments (including in-substance fixed payments), less any lease incentive receivables;
● variable lease payments that depend on an index or a rate;
● amounts expected to be payable by the lessee under residual value guarantees;
● the exercise price of a purchase option if the lessee is reasonably certain to exercise that option;
● payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.
Lease payments are discounted using the interest rate implicit in the lease if that rate can be readily determined, or the lessee's incremental borrowing rate.
Each lease payment is allocated between the liability and a finance cost. After initial recognition, lease liabilities are measured using the effective interest rate. The carrying amounts of the liabilities are updated to reflect changes in the estimated lease term, purchase option, changes in lease payments and the guaranteed residual value, and modifications to the lease agreement.
The lease term is the non-cancellable period of the lease; the periods covered by an option to extend and to terminate the lease are included as part of the lease term, if there is a reasonable probability that the lease will be extended or the agreement will not be terminated.

Right-of-use assets are initially measured at cost which comprises:
● the initial measurement of the lease liability;
● all lease payments at or prior to the commencement date, less all lease incentives received;
● all initial direct costs incurred by the lessee;
● estimated costs of dismantling, removing the underlying asset and restoration.
After initial recognition, right-of-use assets are measured at cost less accumulated depreciation and all accumulated impairment write-downs and adjusted for the remeasurement of the lease liability due to the reassessment or modification of the lease.
Right-of-use assets are amortized over the shorter of the useful life of the asset and the lease term, using the straight line method. The amortization periods for right-of-use assets are as follows:
● right to perpetual usufruct of land: 99 years;
● the right to use premises on which retail stores are run: 5–15 years;
● the right to use an office building: 10 years;
● plant and machinery: 2-10 years;
● vehicles: 4–8 years.
Payments relating to all short-term leases and certain leases of low-value assets are recognized on a straight line basis as an expense in profit or loss. For low-value assets, the Group elects a method of recognition for each agreement – the Group has assumed that a right-of-use asset is recognized along with the corresponding lease liability if such asset is subleased, whereas for all other leases of low-value assets the payments relating to such leases are recognized as an expense on a straight line basis over the lease term.
Short-term leases are leases with a term of 12 months or less.
Low-value assets include computers, tablets, mobile phones and small office furniture.

The Group decided to apply the following practical expedients:
● it applied one discount rate to the portfolio of leases with substantially similar characteristics;
●it did not apply the net model of accounting for leases to leases for which the term of the lease ends within 12 months of the date of the first application of the standards. The Group recognized such lease agreements as short-term leases instead.

Expenditure incurred in subsequent periods

The costs of replacing parts of an item of property, plant and equipment incurred in subsequent periods, which can be reliably estimated and it is probable that the Group will derive economic benefits relating to the items of property, plant and equipment being replaced, are capitalized. The carrying amount of the removed parts of an item of property, plant and equipment is derecognized. The expenditure incurred in connection with day-to-day servicing of property, plant and equipment is recognized in profit or loss for the current period, when incurred.

Depreciation

Property, plant and equipment, including their significant components, are depreciated on a straight line basis over the estimated useful lives, taking into consideration the net realizable value of the remains of a fixed asset (the residual value) expected at the time of scrapping. Freehold land is not depreciated.

The expected economic useful lives of these assets are as follows:

buildings: from 19 to 40 years, plant and machinery: 2–10 years, vehicles: 4–8 years.

The correctness of the adopted useful lives, depreciation methods and the residual values of fixed assets (if they are insignificant) is verified by the Company annually.

(g) Intangible assets

Goodwill

Goodwill originates from an acquisition which took place before 1 January 2010. Goodwill includes the excess of the cost of the combination over the Group's interest in the fair values of the identifiable assets, liabilities and contingent liabilities of the acquiree. If the said difference is negative, a gain on the purchase transaction is recognized immediately in profit or loss.

Transaction costs other than those relating to debt incurred or the issue of bonds, incurred in connection with a business combination, increase the cost of the combination.

Goodwill is an element of intangible assets and is stated at cost of purchase less impairment write-downs. Goodwill is allocated to groups of cash-generating assets and is tested annually for impairment (see point (m) of the accounting policies below). Goodwill is not amortized.

Other intangible assets

Intangible assets are stated at cost of purchase or manufacture, less accumulated amortization (see below) and impairment write-downs (if any) (see point (m) of the accounting policies below).

Subsequent expenditure on the existing intangible assets is capitalized only when it increases the future economic benefits relating to a given asset. Other expenditure, including expenditure on the internally generated trademarks, goodwill and brand, is recognized in profit or loss for the current period, when incurred.

Amortization

Intangible assets are amortized on a straight line basis over an estimated useful life unless the period is indefinite. Goodwill and other intangible assets with an indefinite useful life are tested for impairment each year (see point (m) of the accounting policies below) without being amortized. Amortizable intangible assets are amortized as from the date of being commissioned for use. The estimated useful lives range from 5 to 7 years.

The correctness of the adopted useful lives, amortization methods and the residual values of intangible assets is verified at each balance sheet date and adjusted in justified cases.

(h) Non-current investments

Investments accounted for using the equity method which include shares in subsidiaries are stated at acquisition cost less impairment write-downs.

(i) Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments, which are not quoted on active markets. They are initially recognized at fair value and subsequently measured at amortized cost, less impairment write-downs.

(j) Inventories

Inventories are measured at the lower of the cost of purchase or manufacture and the net realizable value. Inventory issues are measured using the first-in first-out cost formula. The cost of purchase of inventories includes the costs directly attributable to the purchase of inventories, incurred in bringing them to their current location and preparing them for sale. In the case of finished goods and work in progress, the cost includes a share of overheads determined on the basis of normal production capacity. The net realizable value is an estimated selling price in the ordinary course of business, less the costs of preparing inventories for sale and the costs necessary to effect a sale.

(k) Cash and cash equivalents

Cash and cash equivalents include cash in hand and at bank (call deposits).

(l) Impairment

Impairment of financial assets carried at amortized cost.

The Group makes an assessment of expected credit losses (“ECL”) associated with debt instruments measured at amortized cost or at fair value through other comprehensive income, regardless of whether there is any indication of impairment.
In the case of current trade receivables without a significant financing component, the Group applies the simplified approach required by IFRS 9 and measures impairment losses at the amount of credit losses expected over the life of the receivable from its initial recognition. The Group uses an allowance matrix in which allowances are calculated for trade receivables classified into different aging intervals or past due periods.

For the purpose of determining expected credit losses, trade receivables were grouped based on similarities of credit risk characteristics. In order to determine the overall default ratio, an analysis of irrecoverability for the last three years is conducted. The default ratios are calculated for the following ageing intervals: (1) up to 30 days; (2) from 31 to 90 days; (3) from 91 to 180 days; (4) from 181 to 360 days, and (5) over 360 days.

In order to determine the default ratio for a given ageing bracket, the balance of receivables written off is compared with the balance of uncollected receivables. The effect of future factors on the amount of credit losses was also taken into account.
An impairment write-down is calculated, taking into account the default ratios adjusted for the effect of future factors and the balance of uncollected receivables as at the balance sheet date for each bracket of the ageing analysis.

The Group uses a three-stage impairment model for financial assets other than trade receivables:
- Stage 1 – includes balances for which credit risk has not increased significantly since initial recognition. The expected credit losses are determined on the basis of probability of default within 12 months (i.e. the total expected credit loss is multiplied by the probability that the loss will occur within the next 12 months);
- Stage 2 – includes balances for which credit risk has increased significantly since initial recognition, but there are no objective indications of impairment; the expected credit losses are determined on the basis of probability of default over the entire contractual life of a given asset;
- Stage 3 – includes balances with an objective indication of impairment.

Trade receivables are classified into Step 1, Step 2 or Step 3:
- Stage 1 – balances for which credit risk has not increased significantly since initial recognition. Expected credit losses are determined based on the probability of default within 12 months (i.e. the total expected credit loss is multiplied by the probability that the loss will occur within the next 12 months);
- Stage 2 – includes trade receivables for which a simplified approach to the measurement of expected credit losses over the entire life cycle of a receivable is used, except for certain trade receivables classified into Step 3;
- Stage 3 – includes trade receivables overdue by more than 90 days or identified individually as not being serviced.

To the extent to which, under the above model, it is necessary to assess whether credit risk has increased significantly, in making the assessment the Group takes into account the following indications:
- a loan is overdue by at least 30 days;
- there have been legislative, technological or macroeconomic changes which have a significant negative effect on the debtor;
- information has been obtained, regarding a significant unfavourable event relating to a loan or another loan of the same debtor from another lender, e.g. termination of the loan agreement, breach of its terms and conditions or renegotiation of the terms and conditions due to financial difficulties, etc.;
- the debtor has lost a major customer or supplier or has experienced other unfavourable changes on its market.
Financial assets are written off in full or in part, when the Company has exhausted practically all debt collection activities and come to the conclusion that collecting a receivable may no longer be reasonably expected. This usually takes place, when an asset is overdue by at least 120 days.

Non-financial assets

The carrying amounts of non-financial assets other than inventories and deferred income tax assets are assessed at the end of each reporting period to determine whether there is any indication that they may be impaired. If any such indications exist, the Group estimates the recoverable amounts of the individual assets. The recoverable amounts of goodwill, intangible assets with indefinite useful lives and intangible assets which are not yet ready to use are estimated each year at the same time. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amounts of assets or cash-generating units (CGUs) are defined as the larger of their net realizable value and their value in use. In estimating value in use, the future cash flows are discounted using a pre-tax interest rate which reflects the current market assessment of the time value of money and the risk factors specific to a given asset or CGU. For the purposes of impairment testing, assets are grouped into the smallest determinable sets of assets which generate cash inflows in a manner that is largely independent of other assets and groups of assets ("a cash-generating unit or CGU").

The Group assesses the impairment of goodwill by grouping cash-generating units in such a manner as to ensure that the level of the organization, no higher than the identified operating segment which is being assessed, reflects the lowest level of the organization at which the Group monitors goodwill for internal purposes.

For the purposes of impairment testing, the goodwill acquired in a business combination is allocated to those cash-generating units which are expected to benefit from the synergies of the business combination.

The Group's shared (corporate) assets do not generate any separate cash inflows and are used by one CGU.

An impairment write-down is recognized, when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Impairment write-downs are recognized as a profit or loss for the current period. The impairment of a cash-generating unit is first recognized as a reduction in the goodwill allocated to that unit (group of units) and then as a reduction in the carrying amounts of the other assets in that unit (group of units) on a pro rata basis.

An impairment write-down of goodwill is not reversed. As regards other assets, the impairment write-downs recognized in the prior periods are assessed at the end of each reporting period for any indications that the impairment has decreased or has been reversed in full. An impairment write-down is reversed if there has been a change in the estimates used to estimate the recoverable amount. An impairment write-down is reversed only up to the amount of the asset's carrying value, less depreciation or amortization, which would have been reported if no impairment write-down had been recognized.

(m) Provisions

Provisions are recognized, when the Group has a legal or constructive obligation as a result of past events, which can be measured reliably and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The value of a provision is determined as an expected amount of future cash flows, discounted using a pre-tax discount rate which reflects the time value of money and the risks specific to a given liability. The unwinding of the discount is recognized as a finance cost.

Provisions for liabilities resulting from restructuring are recognized, when the Group has a detailed, formal restructuring plan and such restructuring has either commenced or has been announced publicly. Future operating expenses are not provided for.

Warranties

Provisions for warranties are recognized in respect of finished goods or services sold. The provisions are recognized on the basis of historical data concerning warranty claims and the anticipated outcome of warranty proceedings, taking into account the probability of their occurrence.

(n) Employee benefits

Long-term employee benefits

The Group's liabilities in respect of long service benefits constitute the amount of future benefits which the employees have earned as part of their employment in the current and past accounting periods. In accordance with the Group's labour regulations, the employees are entitled to a lump sum payment due to retirement. The provision reflects the Group's estimate of the future benefits which the employees have earned in the current and prior periods, discounted at an interest rate based on the Group's cost of capital.

Other employee benefits

Except for the above costs of one-time retirement benefits, the Group does not have a pension scheme of its own. The Group feeds the State social insurance system by transferring the required part of gross pay to the Social Insurance Institution (ZUS). Such expense is charged to costs, when it occurs. The Group has no related obligation to pay benefits to its employees.

(o) Liabilities in respect of loans and borrowings

Liabilities in respect of loans and borrowings are initially measured at fair value, net of transaction costs incurred. Subsequently, interest-bearing loans are recognized at cost, including accrued interest. The difference between the cost and the actual redemption value is recognized as a gain or loss in the period for which a loan was granted, using the effective interest rate method.

If a loan is repaid before the maturity date, any difference between the fair value and the present value is recognized as a profit or loss for the current period, when it occurs.

(p) Trade and other payables

Trade and other payables are initially recognized at fair value and subsequently at amortized cost. Short-term liabilities are not discounted.

(q) Revenue

Revenue is presented net of value-added tax.

Under one contract, for both finished goods as well as services and goods for resale, there is generally one performance obligation. In contracts with one performance obligation, there is no need to allocate a consideration.

a) Sales of finished goods (construction chemicals for thermal insulation systems, paints)

The Group manufactures and sells construction chemicals and paints. Its goods are not specifically tailored to the requirements of a concrete customer but are products which may be used for processing orders for various customers.

Sales of products are recognized on a one-off basis at the time control over the goods is transferred, which occurs when products are delivered by the Company to a customer, and the customer accepts them.
Revenue is presented net of value-added tax.

Sales are made mainly with payment terms of up to 30 days, which is in line with market practice and is not considered an element of financing. Once accepted, finished goods sold may not be returned. Therefore, the Group does not accrue any liabilities in respect of returns.

The Group also transports finished goods to a customer; transport does not constitute a separate performance obligation, because it is performed in respect of goods before the control over them is transferred to a customer.

The Group gives its customers rebates which are dependent on the volume of sales made within a calendar year. Such rebates constitute a variable component of a consideration and are recognized as a reduction in revenue. An obligation to repay a consideration is recognized for the anticipated rebates allowed to customers on the sales made by the end of a reporting period and is presented in “Trade and other receivables” (Note 13). As at the end of a financial year, there is no need to estimate the amount of a rebate, because the actual amount of the rebate earned is known (based on the sales for a given calendar year).

As regards the manufactured products, the Group grants a warranty to the extent provided for in the legal regulations (i.e. a 12-month warranty) and an extended warranty for a period of up to 10 years. The warranties granted are provided for in accordance with the accounting policies presented in point (m) Provisions. An extended guarantee constitutes a separate performance obligation, but the amount of the consideration allocated to this separate performance obligation is immaterial.

b) Sales of services

The Group resells transport services. Sales of services are recognized in the period in which the services were provided and the price was agreed. Transport services are short-term services (the average time for completion is two days). The Group does not provide any long-term services. The revenue from transport services is accounted for on a straight line basis, over the duration of transport.

Sales are mainly made with payment terms of up to 14 days, which is in line with market practice and is not considered an element of financing.

c) Sales of goods for resale and materials
The Group recognizes sales of goods for resale and materials at the time the control over the inventories is transferred to a customer, which takes place when the inventories have been accepted by the customer. The Group sells goods for resale and materials relating to thermal insulation systems for facades, among other things, foamed polystyrene, mesh, grit and construction chemicals which supplement the sales mix.

Sales of goods for resale and materials are mainly made with payment terms of 30 days, which is in line with market practice and is not considered an element of financing.

According to the Act, a customer is entitled to a warranty for a period of two years against manufacturing defects. The liability is transferred to the seller of the goods for resale/materials, therefore, the Company does not recognize a provision in this respect, because it does not have a legal or constructive obligation to repair defects. No additional warranty is granted.

Goods for resale and materials sold may not be returned.

(r) Expenses

Finance income and expense

Finance income includes interest receivables on cash invested by the Group, gains on disposal of available-for-sale financial instruments, gains on movements in the fair value of financial instruments at fair value through profit or loss, foreign exchange gains, and gains on hedging instruments which are recognized as a profit or loss for the current period. Interest income is recognized as a profit or loss for the current period on the accruals basis, using the effective interest rate method.

Finance costs include interest payable on borrowings, the unwinding of the discount on provisions, foreign exchange losses, losses on movements in the fair value of financial instruments at fair value through profit or loss, impairment write-downs of financial assets, and gains and losses on hedging instruments which are recognized as a profit or loss for the current period. All interest expense is determined on the basis of the effective interest rate.

Borrowing costs which are not directly attributable to the acquisition, manufacture, construction or production of specific assets are recognized in the profit or loss for the current period, using the effective interest rate method.

Foreign exchange gains and losses are reported on a net basis as either finance income or finance costs, depending on their total net position.

(s) Income tax expense

Income tax expense comprises current tax and deferred tax.
Current and deferred income tax is recognized as a profit or loss for the current period, except when it relates to a business combination or items recognized directly in equity or as other comprehensive income.

Current tax includes tax calculated on the basis of the taxable income for a given year, using the income tax rates in force as at the balance sheet date, and adjustments to the income tax liability for the previous years.

The value of deferred income tax is calculated using the liability method, based on temporary differences between the book values of assets or liabilities and their tax bases. The following temporary differences are not taken into account in determining the value of deferred income tax: goodwill which is not deductible for income tax purposes, transactions in which the initial recognition of assets or liabilities affects neither the accounting nor taxable profit of the Group. The value of deferred tax reported takes into account the planned manner of realization or accounting for the carrying amounts of assets and liabilities. Deferred tax is measured using the tax rates which are expected to apply when the temporary differences are reversed, with the tax regulations applicable at law or in fact up until the reporting date being used as the basis.

Deferred income tax assets are determined at the amount of corporate income tax recoverable in the future with respect to deductible temporary differences which will result in a lower tax base in the future, taking account of the prudence principle, i.e. the carrying amount of a deferred income tax asset is reduced to the extent that it is not probable that taxable income will be obtained, sufficient for partial or full realization of the deferred income tax asset.

(t) Financial instruments

Classification of financial assets
The group classifies its financial assets in the following measurement categories:
- measured at amortized cost;
- measured at fair value through profit or loss;
- measured at fair value through other comprehensive income.

The classification is dependent on the adopted financial asset management model and the terms of contractual cash flows. The Group reclassifies its investments in debt instruments, when and only when the model of management of these assets changes.

Recognition and derecognition.
Financial assets are recognized, when the Group becomes a party to the contractual terms of an instrument. Financial assets are derecognized from the books of accounts, when the rights to receive the cash flows from the financial assets have expired or been transferred, and the Group has transferred substantially all risks and rewards of ownership.

Measurement at initial recognition

At initial recognition, the Group measures a financial asset at fair value, and in the case of a financial asset which is not measured at fair value through profit or loss, at the transactions costs directly attributable to the acquisition of the financial asset. The costs of transactions relating to financial assets measured at fair value through profit or loss are recognized in profit or loss.

Measurement after initial recognition

(i) *Debt instruments – Financial assets measured at amortized cost*

Debt instruments held to collect contractual flows which include solely payments of principal and interest ("SPPI") are measured at amortized cost. Interest income is calculated using the effective interest rate method and shown in "Interest income" in profit or loss. Impairment write-downs are recognized in accordance with the accounting policy indicated in the note and presented in "Impairment write-downs of financial assets".
In particular, this category includes:
- trade receivables other than receivables subject to factoring;
- loans which pass the SPPI classification test and which, in accordance with the business model, are disclosed as "held to receive cash flows";

- cash and cash equivalents.

(ii) Debt instruments – Financial assets measured at fair value through comprehensive income
Debt instruments the cash flows from which constitute solely payments of principal and interest and which are held to collect contractual cash flows and for sale are measured at fair value through other comprehensive income. Changes in carrying amounts are recognized through other comprehensive income, except for gains and losses on impairment, interest income and foreign exchange differences which are recognized in profit or loss. If a financial asset is derecognized, the total gain or loss previously recognized in other comprehensive income is transferred from equity to profit or loss and recognized as other gains/(losses). Interest income on such financial assets is calculated using the effective interest rate method and recognized in “Interest income”. Impairment write-downs are recognized in accordance with the accounting policy indicated in the note and presented in “Impairment write-downs of financial assets”.
As at 01/01/2021 and 31/12/2021, the Group did not have any financial assets classified into this category.

(*iii) Debt instruments – Financial assets measured at fair value through profit or loss*
Assets which do not meet the criteria for measurement at amortized cost or at fair value through other comprehensive income are measured at fair value through profit or loss. In particular, this category includes the following instruments:
- trade receivables subject to factoring used regularly for liquidity management purposes, when the terms and conditions of the factoring contract result in the derecognition of receivables; and
- loans which do not pass the SPPI test (i.e. the cash flows from these loans are not solely principal and interest payments) because the frequency of interest rate changes does not correspond to the interest calculation formula.

A gain or loss on the measurement of debt investments at fair value is recognized in profit or loss and presented in “Gains (losses) on changes in the fair value of financial instruments” in the period in which they occurred. Such gains/losses on the fair value measurement include the contractual interest received on financial instruments included in this category.

Non-derivative financial liabilities
Debt instruments issued and subordinated liabilities are recognized in the Group’s books of account as they arise. All other financial liabilities, including liabilities measured at fair value through profit or loss, are initially recognized as at the trade date on which the Group becomes a party to a contract which requires it to issue a financial instrument.
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.
Financial assets and liabilities are offset and the net amount is presented in the statement of financial position, when and only when the Group has a legally enforceable right to offset particular financial assets and liabilities or it intends to settle, on a net basis, a given transaction involving the financial assets and liabilities being offset or it intends to realize the financial assets being offset and to settle the financial liabilities simultaneously.
The Group has the following non-derivative financial liabilities: liabilities in respect of loans and borrowings, and trade and other payables.
Such financial liabilities are initially recognized at fair value plus any directly attributable transaction costs. After initial recognition, these liabilities are measured at amortized cost using the effective interest rate method.
Other financial liabilities include loans, borrowings and other debt instruments, overdraft facilities, and trade and other payables.

Ordinary shares

Ordinary shares are recognized in equity. Any costs directly attributable to the issue of ordinary shares and share options, adjusted for any tax effects, are recognized as a reduction in equity.

(in thousands of Polish zlotys, unless otherwise stated)

The Group did not use any derivative financial instruments.

2. Foreign exchange rates applied and the rules of translation of foreign operations' data

The individual items of the income statement of foreign related companies recognized in the consolidated statement of comprehensive income were translated at the weighted average monthly exchange rates of UAH, EUR and GBP into Polish zlotys for the individual months of the year at the exchange rates of the National Bank of Poland. In 2021, these exchange rates fluctuated between PLN 0.1323 and PLN 0.1539 / UAH 1, between PLN 5.0879 and PLN 5.4815 / GBP 1 and between PLN 4.5435 and PLN 4.6508 / EUR 1, and in 2020 respectively between PLN 0.1306 and PLN 0.1595 / UAH 1, between PLN 4.8886 and PLN 5.1922 / GBP 1 and between PLN 4.2504 and PLN 4.5450 / EUR 1.

Individual assets and liabilities were translated at the mid exchange rates as at 31 December 2021 and 31 December 2020 announced by the National Bank of Poland (table 254/A/NBP/2022; table 255/A/NBP/2020).

3. Expenses

3A. Selling costs, and general administrative expenses

	2021	2020
Cost of wages and salaries, and other benefits	24,287	22,616
Marketing services	6,071	5,465
Amortization and depreciation	4,890	4,242
Transportation costs	14,243	12,802
Fuel, gas and electricity	1,758	1,264
Taxes and fees	1,545	1,519
Repairs and spare parts	2,227	1,907
IT and telecommunication costs	781	675
Rent expense	318	279
Business travel	1,228	1,012
Insurance	652	533
Advisory services	1,778	1,720
Other	2,373	1,187
	62,151	**55,221**

3B. Cost of sales

	2021	2020
Costs of direct materials	73,604	59,285
Cost of wages and salaries, and other benefits	8,675	7,378
Amortization and depreciation	1,443	1,337
Transportation costs	29	37
Fuel, gas and electricity	1,058	568
Repairs and spare parts	2,011	1,641
Other	864	1,083
Cost of goods for resale purchased	20,424	17,433
Cost of services sold	5,787	2,901
	113,895	**91,643**

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4. Revenue

4A. Sales revenue

	2021	2020
Business-to Business (B2B) channel	159,584	129,710
Do It Yourself (DIY) channel	9,970	9,920
Export sales *	10,273	11,211
Indoor paints (retail)	8,928	8,809
Other	6,140	2,833
	194,897	**162,483**

**Export sales constitute broadly understood sales to countries other than those in which the Group has subsidiaries*

The Group has customers that are significantly dispersed, and it is not dependent on any of them. In the presented period, none of its counterparties exceeded 7% of the Group's total sales.
The Group recognizes all revenue at a point in time, except for "Other" sales revenue which represents revenue from the provision of services that is accrued.
Information about the amounts of sales revenue from related entities is contained in Note 25 "Transactions with related entities".

4B. Other operating income

	2021	2020
Revaluation of provisions	225	313
Gains on disposal of non-financial non-current assets	361	283
Other	46	58
	632	**654**

5. Other operating expenses

	2021	2020
Donations	32	52
Other charges and other	40	124
	72	**176**

6. Finance income

	2021	2020
Interest income	27	12
Net foreign exchange gains	627	-
	654	**12**

7. Finance costs

	2021	2020
Interest expense	319	345
Net foreign exchange losses	-	437

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Other	125	81
	444	**863**

8. Employee benefit expenses

	2021	2020
Wages and salaries (under employment and other contracts)	26,828	24,637
Social insurance and transfer to the Social Fund	5,457	5,074
External training	162	128
Compensation under the non-competition clause	92	96
Increase in liabilities in respect of the provision for pension and disability pension benefits and holiday pay	150	349
	32,689	**30,284**

9. Income tax expense

9A. Income tax recognized as the profit or loss for the current period

The Group is subject to the tax regulations applicable in Poland. The structure of the income tax recognized in the statement of comprehensive income is as follows:

	2021	2020
Current income tax	**(3,788)**	**(2.303)**
Income tax for the current period	(3,788)	(2.303)
Deferred income tax	**(2.058)**	**(236)**
Recognition and reversal of temporary differences	421	(236)
Provision for the decision issued in tax proceedings	(2.479)	-
Total income tax expense recognized in the statement of comprehensive income	**(5.846)**	**(2,539)**

The reconciliation of the income tax at the applicable tax rate to the actual income tax expense recognized in the consolidated statement of comprehensive income is presented below.

	2021	2020
Profit before income tax	19,659	15,187
Income tax at the applicable tax rate (19%)	(3,735)	(2,886)
Expenses permanently non-deductible for tax purposes	(118)	(167)
Decrease of tax due to IP BOX	10	22
Utilization of a research and development allowance	476	492

(in thousands of Polish zlotys, unless otherwise stated)

Previous year's income tax	(2,479)	-
Income tax expense disclosed in the consolidated statement of comprehensive income	**(5,846)**	**(2,539)**

The tax authorities may inspect tax settlements within five years of the end of the year in which the tax returns were filed, and they may charge the Company with additional tax along with penalties and interest.

As a result of a fiscal audit and proceedings concerning the income tax for 2014 and 2015 the Company received a decision excluding the trademark amortization expense and interest related to the purchase of the trademarks from the income tax calculation, which assessed a new amount of income tax and an overdue tax liability including accrued late payment interest of PLN 843 thousand for 2014 and PLN 1,697 thousand for 2015.
Based on the opinion of tax advisors and in consultation with the Supervisory Board, the Company's Management Board believes that attempts to exclude these costs from tax-deductible costs are not justified by the provisions of the binding law and the Company does not intend to adjust its income tax expense for the said periods. Despite its contrary position, according to the prudence principle the Company set up a provision of PLN 2,479 thousand and appealed against the decisions which assessed the additional tax charge and is waiting for the result of the appeal. The Company intends to continue to assert its position. Should the decision be upheld, the Company will consider challenging it with the Provincial Administrative Court.

9B. Deferred tax provision and asset

The deferred income tax provision and assets as at 31 December 2021 and 31 December 2020 arise from the following items:

	Assets		**Liabilities**		**Net**	
	31/12/2021	**31/12/2020**	**31/12/2021**	**31/12/2020**	**31/12/2021**	**31/12/2020**
Property, plant and equipment	(415)	(276)	719	902	304	626
Goodwill	-	-	14,467	14,467	14,467	14,467
Trade and other receivables	(162)	(172)	-	-	(162)	(172)
Inventories	(51)	(51)	-	-	(51)	(51)
Bank loans	-	-	10	7	10	7
Loans from the shareholder and a subsidiary	2	-	7	11	9	11
Provisions, trade and other payables	(1,040)	(813)	-	-	(1,040)	(813)
Other (lease liabilities)	(617)	(734)	-	-	(617)	(734)
Provision for the result of the tax audit	-	-	2,479		2,479	
Deferred tax (assets) / provision after valuation adjustment	(2,283)	(2,046)	17,682	15,387	15,399	13,341
Net deferred tax (assets) / provision	-	-	-	-	15,399	13,341

As at 31/12/2021, the Group has no tax loss carryforwards.

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According to the Group's expectations, the deferred income tax provision and assets will crystallize in the short and long term:

	31 December 2021	**31 December 2020**
Short-term asset	1,868	1,770
Long-term asset	415	276
Total deferred income tax asset	**2,283**	**2,046**
Short-term provisions	(2,496)	(18)
Long-term provision	(15,186)	(15,369)
Total deferred income tax provision	**(17,682)**	**(15,387)**
Deferred tax provision	**(15,399)**	**(13,341)**

10. Property, plant and equipment

Changes in property, plant and equipment for the period from 1 January 2021 to 31 December 2021 and for the period from 1 January 2020 to 31 December 2020 are presented in the tables below:

Relevant line item in the Balance sheet	Description of item of property	Gross Carrying Amount As at 31st December, 2021	Gross Carrying Amount As at 31st December, 2020	Title Deeds Held in the name of	Whether title deed holder is a promoter, director or relative of promoter/director or employee of promoter/director	Property held since which date
Tangible assets	**Total**	**80,717**	**76,550**	**BOLIX BOLIX GROUP**		
a. Land	Land in Żywiec, Streets: Stolarska, Łaczna area: 28.839 sq.m.	1,823	1,771	BOLIX SA		mainly in Y2003,
b. Buildengs	office building-headquarters, production and warehouse halls in Żywiec, Streets: Stolarska, Prosta	18,243	17,021	BOLIX SA		mainly in Y2003, next bigger purchase in: Y2005, Y2017

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	two warehouses and office	2,068	1,420	SEI	Leasing agreements since 2020
c. Plant and Equipment	Heaters, air curtains, etc	41,369	39,769	BOLIX SA	mainly in Y2003, next bigger purchase in: Y2009, and since Y2017
		19	1	BUA	
		103	327	SEI	mainly in Y2018 and Y2019
d. Furnitures and Fixtures					
e. Vehicles	mainly forklifts, cars for salesman	7,710	5,838	BOLIX SA	Each year new leasing is approximate - due to the need to renew the fleet
	mainly cars for salesman	122	14	BUA	Purchase: Y2017, Y2020,
	mainly cars for salesman	971	2 552	SEI	Mainly leasing. Each year new leasing is approximate - due to the need to renew the fleet
f. Office Equipment					
g. Others	equipment for R&D, storage barrack, tent halls, etc	8,117	7,537	BOLIX SA	mainly in 2017
		34	6	BUA	
		138	293	SEI	

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2021	Land and buildings	Plant and machinery	Other PPE	Fixed assets under construction	Total
Gross value					
As at 1 January 2021	20,212	48,441	7,897	1,661	78,211
Additions	1,773	590	82	14,234	16,679
Reclassification	20[illegible]	3,816	708	(4,726)	-
Disposals	(53)	(2,554)	(398)	-	(3,005)
As at 31 December 2021	22,134	50,293	8,289	11,169	91,885
Accumulated depreciation					
As at 1 January 2021	12,193	33,531	5,947	-	51,671
Additions	873	4,214	952	-	6,040
Disposals	(27)	(2,348)	(393)	-	(2,768)
As at 31 December 2021	13,039	35,398	6,506	-	54943
Net value as at 1 January 2021	**8,019**	**14,910**	**1,950**	**1,661**	**26,540**
Net value 31 December 2021	**9,095**	**14,895**	**1,783**	**11,169**	**36,942**

2020	Land and buildings	Plant and machinery	Other PPE	Fixed assets under construction	Total
Gross value					
As at 1 January 2020	19,980	45,260	7,543	236	73,019
Additions	-	-	-	7,121	7,121
Reclassification	232	4,594	870	(5,696)	-
Disposals		(1,413)	(516)	-	(1,929)
As at 31 December 2020	20,212	48,441	7,897	1,661	78,211
Accumulated depreciation					
As at 1 January 2020	11,440	30,975	5,589	-	48,004
Additions	753	3,891	834	-	5,478
Disposals		(1,335)	(476)	-	(1,811)
As at 31 December 2020	12,193	33,531	5,947	-	51,671
Net value as at 1 January 2020	**8,540**	**14,285**	**1,954**	**236**	**25,015**

Notes to the consolidated financial statements
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Net value 31 December 2020	**8,019**	**14,910**	**1,950**	**1,661**	**26,540**

The depreciation expense relating to property, plant and equipment is recorded in the following item lines of the statement of comprehensive income:

	2021	**2020**
Selling expenses	4,105	3,719
General administrative expenses	492	422
Cost of sales	1,443	1,337
	6,040	**5,478**

Fixed assets used under finance leases
In 2021, the Group concluded contracts for the lease of 23 cars and a contract for the lease of dispensing and mixing equipment (**DME**). The net value of all 76 cars leased at 31 December 2021 amounted to PLN 2,088 thousand, and of 424 DMEs PLN 1,705 thousand (PLN 4,217 thousand in total).
In 2020, the Group concluded contracts on the lease of 14 cars and a contract for the lease of dispensing and mixing equipment (**DME**). The net value of all 75 cars leased at 31 December 2020 amounted to PLN 2,216 thousand, and of 423 DMEs PLN 2,644 thousand (PLN 4,744 thousand in total). As at 1 January 2020, the Group recognized contracts for the lease of a retail area and a warehouse and office facility in the UK as leases. As at 31 December 2020, the value of the current contracts amounts to PLN 144 thousand.

Most of the contracts with the lessor concluded up until 2021 provide for the option of purchasing the vehicles and the dispensing and mixing equipment, and the Group intends to use that option. provide for the option of purchasing the vehicles and the dispensing and mixing equipment, and the Group intends to use that option. The depreciation rates used reflect the economic useful lives of the fixed assets and take into account the option of purchasing the cars.
The Group does not intend to purchase only five of the recorded vehicles.

Right-of-use assets

	Offices, apartments/ warehouses	DMEs	Cars	**Total**
Balance as at 31/12/2021	**144**	**2,644**	**2,216**	**5,004**
Increases – changes and new lease agreements	-	14	1,339	1,353
Terminations of agreements	-	-	-	-
Amortization	(144)	(953)	(1,136)	(2,233)
Balance as at 31/12/2021	**0**	**1,705**	**2,419**	**4,124**

(in thousands of Polish zlotys, unless otherwise stated)

	IFRS 16
Lease-related amounts recognized in the reporting period	
Amortization of right-of-use assets by category	
Offices, apartments/warehouses	144
DME	953
Cars	1,136
Total amortization expense	2,233
Interest on lease liabilities (recognized in finance costs)	95
Costs relating to leases of low-value assets, which is not a short-term lease (recognized in general administrative expenses and selling costs)	387
Total costs relating to lease contracts	**2,715**

Minimum lease payments of all cars and DMEs used under finance leases and rent for the retail area amounted to:

	2021	**2020**
up to 1 year	1,965	2,261
from 1 to 5 years	5,529	2,022
	5,484	4,283

Total minimum lease payments after deducting finance costs (interest) are consistent with the level of lease liabilities.

	2021	**2020**
Minimum lease payments	5,484	4,283
Finance costs (Interest)	(95)	(147)
Lease liabilities	**5,389**	**4,136**

Assets put up as collateral

As at 31 December 2021, the Group's assets are subject to contractual capped mortgages of PLN 34.3 million and the assignment of rights from insurance policies to secure the repayment of a bank loan liability (see Note 17), and the change is due to the amendments made to the loan agreement in connection with an increase in the guarantee amount and conclusion of a non-renewable loan for the purchase of real estate.

Future contractual commitments in respect of the purchase of non-current assets

During the year, no agreements on the implementation or construction of new fixed assets or intangible assets were signed, which would be performed in the future.

Changes in estimates

In 2021, the Group did not make any changes in estimates in relation to the useful lives of property, plant and equipment.

Notes to the consolidated financial statements
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11. Intangible assets

Changes in intangible assets for the period from 1 January 2021 to 31 December 2021 and for the period from 1 January 2020 to 31 December 2020 are presented in the tables below:

Relevant line item in the Balance sheet	Description of item of property	Gross Carrying Amount		Title Deeds Held in the name of	Whether title deed holder is a promoter, director or relative of promoter/director or or employee of promoter/ director	Property held since which date
		As at 31st December, 2021	As at 31st December, 2020			
Intangible assets	**Total**	**116 746**	**115 455**	**BOLIX BOLIX GROUP**		
a. Goodwill		104 431	104 431	BOLIX SA		Y2003
c. Computer Software	IFS, tender support system, etc	12 315	11 024	BOLIX SA		Mainly in Y2011

Notes to the consolidated financial statements
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2021	**Goodwill**	**Other**
Gross value		
As at 1 January 2021	104,431	11,023
Additions	-	1,292
Disposals	-	-
As at 31 December 2021	104,431	12,315
Accumulated amortization		
As at 1 January 2021	-	10,909
Additions	-	293
Decrease	-	-
As at 31 December 2021	-	11,202
Net value as at 1 January 2021	**104,431**	**114**
Net value as at 31 December 2021	**104,431**	**1,113**

2020	**Goodwill**	**Other**
Gross value		
As at 1 January 2020	104,431	10,994
Additions	-	32
Disposals	-	(3)
As at 31 December 2020	104,431	11,023
Accumulated amortization	-	10,811
As at 1 January 2020	-	101
Additions	-	(3)
Decrease	-	10,909
As at 31 December 2020		
Net value as at 1 January 2020	**104,431**	**183**
Net value as at 31 December 2020	**104,431**	**114**

Amortization

The amortization of other intangible assets is recorded in the following item lines of the statement of comprehensive income:

	2021	**2020**
General administrative expenses	293	101
	293	**101**

Notes to the consolidated financial statements
(in thousands of Polish zlotys, unless otherwise stated)

Goodwill–- impairment test

The Group manufactures two main lines of thermal insulation products: wet products (acrylic plasters, sold as ready-to-use) and dry products (mineral plasters, ready to use after adding water) and paints. Each product is manufactured using separate machines. However, all types of products are intended for the same groups of customers (wholesalers), the final users of the products are the same, and the products are distributed by the same sales teams and through the same distribution network. As a result, the Group treats the entire enterprise as a single group of assets generating cash flows.

The recoverable amounts of the assets generating cash flows are calculated on the basis of the calculation of value in use. This calculation makes use of cash flow projections based on a five-year financial projection. EBIDTA forecast for 2022 is PLN 27 million; the average annual increase in EBIDTA during the period of the forecast is 10%, and the annual average increase in cash flows over the forecast period is 6%. In estimating the cash flows for the years not covered by the projection, it was assumed that cash flows with a fixed growth rate would be maintained. In discounting the future cash flows, a pre-tax discount rate of 9.5% was used. The rate after accounting for income tax was 8%.
If the interest rate increases by 1% the test result will drop by 19%, and if the interest rate drops by 1% the test result will increase by 24%.

The adopted forecasts of future cash flows are based on a number of assumptions; even a slight change in these assumptions may have a significant impact on the results of the financial projections and the results of the impairment test. The most important of these include the trend in economic growth, the state policy on thermo-modernization subsidies and demand from the Group's key customers.

The net pre-tax discount rate at which the value in use of the enterprise would be equal to the net asset value of the enterprise is 19.2%.

Based on the results of the test performed, no impairment losses were recognized in relation to goodwill.

Capital work in progress (CWIP) Ageing Schedule

As at 31 December 2021

	Amount in CWIP for a period of				
	Less than 1 year	**1-2 years**	**2-3 years**	**More than 3 years**	**Total**
Projects in progress	11 ,138	31			11,169
Projects temporarily suspended	-	-	-	-	-

Notes to the consolidated financial statements
(in thousands of Polish zlotys, unless otherwise stated)

As at 31 December 2020	Amount in CWIP for a period of				
	Less than 1 year	**1-2 years**	**2-3 years**	**More than 3 years**	**Total**
Projects in progress	1,608	53			1,661
Projects temporarily suspended	-	-	-	-	-

12. Inventories

Inventories as at 31 December 2021 and 31 December 2020 are shown in the table below:

	31 December 2021	**31 December 2020**
Materials	7,589	5,192
Semi-finished goods and work in progress	1,821	1,719
Finished goods	3,397	1,976
Goods for resale	4,108	2,309
	16,915	**11,196**

Inventories are stated at the net value. As at 31 December 2021, inventory write-downs amounted to PLN 265 thousand (the amount was also PLN 265 thousand as at 31 December 2020 despite a different mix of the inventory items).

13. Trade and other receivables

Trade and other receivables as at 31 December 2021 and as at 31 December 2020 are shown in the table below:

	31 December 2021	**31 December 2020**
Trade receivables from non-related parties	29,823	23,921
Other receivables	423	282
VAT receivable	3,516	1,240
Provision for bonuses for customers and a margin adjustment (the UK market)	(695)	(368)
	33,067	**25,075**

(in thousands of Polish zlotys, unless otherwise stated)

Trade receivables Ageing Schedule

As at 31 December 2021

	Curent but not due	**Outstanding for following periods from due date of payment**					**Total**
		Less than 6 Months	*6 months – 1 year*	*1-2 years*	*2-3 years*	*More than 3 years*	
Undisputed Trade Receivables – considered good	24,797	4,338	-	-	-	-	29,135
Undisputed Trade Receivables – which have significant increase in credit risk	-	-	139	283	704	-	1,125
Undisputed Trade receivable – credit impaired	-	-	-	-	-	-	-
Disputed Trade Receivables – considered good	-	-	-	-	-	-	-
Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	10	609	-	619
Disputed Trade receivable – credit impaired	-	-	-	-	-	-	-

As at 31 December 2020

	Curent but not due	**Outstanding for following periods from due date of payment**					**Total**
		Less than 6 Months	*6 months – 1 year*	*1-2 years*	*2-3 years*	*More than 3 years*	
Undisputed Trade Receivables – considered good	18,245	4,916	-	-	-	-	23,162
Undisputed Trade Receivables – which have significant increase in credit risk		424	5	246	543	-	1,219
Undisputed Trade receivable – credit impaired	-	-	-	-	-	-	-
Disputed Trade Receivables – considered good	-	-	-	-	-	-	-
Disputed Trade Receivables – which have significant increase in credit risk	-	-	-	10	682	-	692
Disputed Trade receivable – credit impaired	-	-	-	-	-	-	-

(in thousands of Polish zlotys, unless otherwise stated)

Trade and other receivables are presented net of impairment write-downs of PLN 1,744 thousand and PLN 1,487 thousand, as at 31 December 2021 and as at 31 December 2020 respectively, recognized by the Company at the amount of credit losses expected over the entire life of a receivable from its initial recognition.
The Group uses a write-down matrix in which write-downs are calculated for trade receivables classified into different past-due periods: (1) up to 30 days (a 0,02% write-down); (2) from 31 to 90 days (a 1,2 % write-down); (3) from 91 to 180 days (a 11,4 % write-down); (4) from 181 to 360 days (a 98,2 % write-down). According to the matrix used, the write-down amounts to PLN 119 thousand and the remaining individual impairment write-down of PLN 1.625 thousand was charged to selling costs in the statement of comprehensive income. The amount of the write-down recognized in the costs of 2021 is PLN 907 thousand.

14. Other current assets

Other current assets as at 31 December 2021 and 31 December 2020 are shown in the table below:

	31 December 2021	**31 December 2020**
Certificates	2,608	1,749
Pre-paid non-life insurance expenses	215	404
Leases relating to future periods	37	34
Other	419	245
	3,279	**2,432**

15. Cash and cash equivalents

	31 December 2021	**31 December 2020**
Cash at bank	2,352	1,599
Cash in hand	39	62
Bank deposits	108	30
	2,499	**1,691**

(in thousands of Polish zlotys, unless otherwise stated)

16. Equity

Share capital and supplementary capital

The share capital and supplementary capital as at 31 December 2021 and as at 31 December 2020 are shown in the table below:

	31 December 2021	31 December 2020
Share capital	10,000	10,000
Supplementary capital	95,849	88,469
	105,849	**98,469**

Details of shares held by promoters

As at 31 December 2021

Promoter Name LUSAKO TRADING LIMITED	**No. of shares at the beginning of the year**	**Change during the year**	**No. of shares at the end of the year**	**% of Total Shares**	**% change during the year**
Equity shares of Re 1 each fully paid up	10,000,000	-	10,000,000	100	-

As at 31 December 2021

Promoter Name LUSAKO TRADING LIMITED	**No. of shares at the beginning of the year**	**Change during the year**	**No. of shares at the end of the year**	**% of Total Shares**	**% change during the year**
Equity shares of Re 1 each fully paid up	10,000,000	-	10,000,000	100	-

As at 31 December 2021, the share capital consisted of 10,000,000 ordinary shares with a par value of PLN 1 each issued and paid up. All the shares issued were fully paid up by the sole shareholder, Lusako Trading Limited.

The supplementary capital as at 31 December 2021 representing additional capital contributions made in the previous years increased by the appropriation of profits for the years 2007-2020. The supplementary capital in a joint stock company may not be freely paid out to the shareholders in the form of a dividend.
On 21 April 2021, the Extraordinary Shareholders' meeting adopted a resolution on the payment of dividend of PLN 6,274 thousand. The dividend was paid in USD.

One ordinary share carries one vote at the Company's General Shareholders' Meeting.

(in thousands of Polish zlotys, unless otherwise stated)

17 Liabilities in respect of loans and borrowings

.

Debt reconciliation

	Loans and borrowings	Lease liabilities	Total
As at 1 January 2021	**8,740**	**4,136**	**12,876**
Proceeds from loans and borrowings obtained	10,657	3,682	14,339
financing received	10,657	-	10,657
conclusion of new lease agreements		3,682	3,682
Interest and commission accrued	324	95	419
Repayment of debt	(324)	(2,524)	(2,848)
repayment of the principal		(2,429)	(2429)
interest and commission paid	(324)	(95)	(419)
As at 31 December 2021	**19,397**	**5,389**	**24,785**

The table below presents the maturities of loans and borrowings as at 31 December 2021 and as at 31 December 2020:

	31 December 2021	31 December 2020
Non-current	6,000	-
Current	13,397	8,740
Total loans and borrowings	**19,397**	**8,740**

Non-current	**Currency**	**Interest**	**31 December 2021**	**31 December 2020**
BNP PARIBAS S.A. non-renewable loan	PLN	Variable interest rate WIBOR 3M + margin	6,000	-
			6,000	-

net of the current portion of the non-current loans and borrowings

BNP PARIBAS S.A. non-renewable loan	PLN	Variable interest rate WIBOR 3M + margin	5,333	-
Non-current liabilities in respect of loans and borrowings			**5,333**	-

Notes to the consolidated financial statements
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Current	**Currency**	**Interest**	**31 December 2020**	**31 December 2020**
Current portion of long-term loans and liabilities			666	-
- BGŻ BNP PARIBAS S.A. working capital loan	PLN	Variable interest rate WIBOR 1M + margin	13,397	8,740
			14,063	**8,740**

On 1 September 2021, by means of Amendment no. 11 to the loan agreement, the Group extended the overdraft facility agreement with BGŻ BNP Paribas S.A. until 10 September 2023 with the lending period to 28 June 2026, with a maximum amount of overdraft of PLN 39.3 million in the period from 30 April to 30 September and a maximum amount of overdraft of PLN 36.3 million in the remaining period.

The overdraft includes a guarantee limit of PLN 25 million to be used for increasing a performance bond line, a warranty for repairing defects and faults, and a payment guarantee.

The facility is secured with a blank bill of exchange, a mortgage of up to PLN 34.3 million on the ownership of real estate situated in Żywiec, the assignment of rights from the insurance policy on the real estate, a general "silent" assignment of receivables (i.e. without the debtors being notified), and the assignment of rights from the receivables insurance contract.

On 8 December 2021 the Company concluded an agreement for a non-renewable loan with the BNP Paribas S.A. bank for PLN 6 million to finance the purchase of real estate in Żywiec, at 12, Prosta Street.

The loan was secured with a blank promissory note with a declaration of subjecting to enforcement proceedings of PLN 9 million, mortgage on the real estate purchased and assignment of rights from the real estate's insurance policy.

According to the aforementioned loan agreements, the Group is also obliged to maintain the financial ratios defined in that agreement at a certain level.

According to the loan agreement, the breach of the financial ratios gives the Lender the right to:
- terminate the working capital loan in full or in part or reduce the loan amount;
- request that a recovery programme is presented and implemented;
- refrain from placing the unused part at the Group's disposal;
- request the establishment of additional collateral or increase the bank's margin.

(in thousands of Polish zlotys, unless otherwise stated)

18. Employee benefits

Employee benefits consist of provisions for other non-current liabilities in respect of employee benefits relating to one-time retirement benefits and disability pension benefits.

According to the calculation carried out by an actuary based on current estimates, the Group's liabilities in respect of one-time retirement benefits amounted to PLN 410 thousand and PLN 409 thousand, respectively, as at 31 December 2021 and 31 December 2020.

The sensitivity of actuarial provisions on changes in the levels of assumptions adopted is as follows:

	Retirement benefits	**Disability benefits**	**Total**
Initial amounts of provisions	**389**	**21**	**410**
Turnover ratio -1%	406	21	427
Turnover ratio +1%	375	20	395
Discount rate -0.50%	410	21	431
Discount rate +0.50%	371	20	391
Changes in base amounts			
Increase in wages and salaries – 1%	354	20	374
Increase in wages and salaries +1%	431	22	453

increase in base amounts (in the period)	Wages and salaries in the Firm
01/01/2022 to 31/12/2022	7.00%
01/01/2023 to 31/12/2023	5.00%
01/01/2024 and thereafter (each year)	3.00%

Note: the above rates of increase are in nominal amounts (i.e. the actual increase, and not increase above inflation rate).

discount rate (in the period)	
01/01/2022 and thereafter (each year)	3.90%

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19. Provisions

Changes in the balances of provisions are shown in the table below:

	Provision for the Incentives Fund	**Provision for complaints**	**Total**
As at 1 January 2021	280	474	754
Increase		724	724
As at 31 December 2021	280	1,198	1,478
Increase/utilization in 2021	-	-	-
As at 31 December 2021	**280**	**1,198**	**1,478**

20. Liabilities

20A. Trade and other payables comprise the following items:

	31 December 2021	**31 December 2020**
Trade payables	17,598	13,862
Accruals	2,195	2,099
Other liabilities	269	337
VAT payable	1,546	580
Liabilities to the owner (dividend)	-	48
Deferred income (a subsidy)	318	370
	21,926	**17,296**

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Trade Payables Ageing Schedule

	As at 31 December 2021				
	Outstanding for following periods from due date of payment				Total
	Less than 1 year	*1-2 years*	*2-3 years*	*More than 3 years*	
Total outstanding dues of micro enterprises and small enterprises	17,598	-	-	-	17,598
Total outstanding dues of creditors other than micro enterprises and small enterprises	-	-	-	-	-
Disputed dues of micro enterprises and small enterprises	-	-	-	-	-
Disputed dues of creditors other than micro enterprises and small enterprises	-	-	-	-	-

	As at 31 December 2021				
	Outstanding for following periods from due date of payment				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Total outstanding dues of micro enterprises and small enterprises	13,900	-	-	-	13,900
Total outstanding dues of creditors other than micro enterprises and small enterprises	-	-	-	-	-
Disputed dues of micro enterprises and small enterprises	-	-	-	-	-
Disputed dues of creditors other than micro enterprises and small enterprises	-	-	-	-	-
Total outstanding dues of micro enterprises and small enterprises	-	-	-	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	-	-	-	-	-

(in thousands of Polish zlotys, unless otherwise stated)

20 B. Employee benefit liabilities

	31 December 2021	31 December 2020
Liabilities to employees	922	861
Tax and social insurance liabilities	2,120	1,951
Wages and salaries payable	1,575	1,681
Social funds	161	133
	4,778	**4,626**

21. Financial instruments

21A. Classification of financial instruments

	31 December 2021	31 December 2020
Financial assets measured at amortized cost:		
Borrowings and trade receivables	33,521	26,635
Cash and cash equivalents and other financial assets	2,499	1,691
Financial liabilities measured at amortized cost:		
Lease liabilities	(5,389)	(4,136)
Other financial liabilities	(31,930)	(22,987)
	(1,299)	**1,203**

(in thousands of Polish zlotys, unless otherwise stated)

21B. Financial risk management

Credit risk, liquidity risk and market risk (which includes mainly interest rate risk and foreign exchange risk) arise in the ordinary course of the Company's activities. The objective of the Company's financial risk management is to minimize the impact of market-related factors, such as foreign exchange rates and interest rates, on key financial parameters budgeted by the Company (profit or loss, cash flows).

Credit risk

Credit risk is the risk of financial losses incurred by the Company as a result of a default by a client or counterparty of a financial instrument. Credit risk relates mainly to the Company's receivables from clients and financial investments.

The Group operates in an industry which is characterized by an increased level of credit risk. This is due to the fact that, in the Company's main markets, the payment terms which are obligatory in customer relationships are between 30 and 120 days. As at 31 December 2021, the Company's total trade receivables from non-related entities amounted to PLN 29,823 thousand.

The Group monitors the creditworthiness of its clients on an on-going basis and in justified cases requires collateral. In order to mitigate customer default risk, the Group has entered into a receivables insurance contract which covers receivables representing approximately 78% of its total trade receivables from third parties. Moreover, in many cases, the Group has additional collateral for its receivables in the form of bills of exchange.

Counterparties with no past record of cooperation with the Group or who buy sporadically must pay in cash. Trade credit is granted to customers who have a positive cooperation record and creditworthiness assessed on the basis of both internal and external sources. The exposure to credit risk is defined as all receivables not yet collected, which are monitored on a current basis, individually for each customer.

The Group monitors the financial standing of its customers and the level of credit risk on a current basis.

Financial assets in respect of receivables that are past due amounted to PLN 6,062 thousand as at 31 December 2021 and PLN 6,749 thousand as at 31 December 2020.
Overdue receivables for which no write-down was recognized amounted to PLN 4,318 thousand as at 31 December 2021 and PLN 5.262 thousand as at 31 December 2020. These receivables are, in most cases, insured, and 50% of the receivables not written down are those overdue for no more than 60 days. Given the fact that Group is not dependent on making sales to one or a few large customers, at present the Group is of the opinion that the receivables can be recovered.

The table below presents the Group's maximum exposure to credit risk:

	31 December 2021	31 December 2020
Receivables	33,521	26,635
Cash and cash equivalents and other financial assets	2,499	1,691
	36,020	**28,326**

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(in thousands of Polish zlotys, unless otherwise stated)

Increases and decreases in write-downs of receivables were as follows:

	31 December 2021	31 December 2020
Write-downs of receivables as at the beginning of the period	1,487	1,698
Recognition of write-downs of receivables	735	841
Reversal of write-downs of receivables	(724)	(738)
Utilization of write-down of receivables	(144)	(314)
Write-downs of receivables as at the end of the period	**1,744**	**1,487**

Cash and cash equivalents and deposits

Cash and cash equivalents are deposited with BGŻ BNP Paribas S.A. (foreign currencies) and Pekao S.A. and Santander S.A. which are financial institutions with a high financial credibility confirmed by the high ratings assigned by rating agencies, whereas the low credit risk as at the reporting date and the potential write-downs have no effect on the cash disclosed.

Liquidity risk

Liquidity risk is the risk of the Company's inability to repay its financial liabilities as they mature. Measures intended to reduce liquidity risk include proper management of liquidity, executed by accurately evaluating the levels of cash and cash equivalents based on cash flow plans for various time horizons.

31 December 2021

	Carrying amount	Contractual cash flows	up to 1 year	1-5 years
Liabilities				
Trade and other non-financial payables	(17,867)	(17,867)	(17,867)	-
Bank loans	(19,396)	(20,047)	(14,511)	(5,535)
Liabilities to the owner (dividend)	-	-	-	-
Lease liabilities	(5,389)	(5,484)	(1,965)	(3,519)
	(42,652)	**(43,397)**	**(34,342)**	**(9,055)**

(in thousands of Polish zlotys, unless otherwise stated)

31 December 2020

	Carrying amount	Contractual cash flows	up to 1 year	1-5 years
Liabilities				
Trade and other non-financial payables	(14,199)	(14,199)	(14,199)	-
Bank loans	(8,740)	(8,841)	(8,841)	-
Liabilities to the owner (dividend)	(48)	(48)	(48)	-
Lease liabilities	(4,136)	(4,283)	(2,261)	(2,022)
	(27,123)	**(27,371)**	**(25,349)**	**(2,022)**

The Group operates in an industry that is significantly capital-intensive as regards the needs to finance working capital. This is due to the fact that, in the Company's main markets, the payment terms which are obligatory in customer relationships are between 30 and 120 days. At the same time, payment terms imposed by the suppliers of the main raw materials are shorter. In this situation, apart from trade payables, the equity and liabilities in the Group's consolidated statement of financial position also show significant liabilities in respect of loans raised.

Market risk

Interest rate risk

The Company's exposure to changes in interest rates relates mainly to cash and cash equivalents and variable interest rate loans and borrowings based on WIBOR + margin interest rates.

In order to finance its investments and current activities, the Group has raised the bank loans and the loan from the shareholder as described in Note 17. The interest rate on the bank loan is variable, therefore, each increase in interest rates causes a simultaneous increase in the Group's finance costs in respect of interest on the bank loans raised. The borrowing from the shareholder bears a fixed interest rate.

The table below shows the Company's sensitivity (maximum exposure) to interest rate risk.

(in thousands of Polish zlotys, unless otherwise stated)

	Carrying amount 31 December 2021	**Carrying amount 31 December 2020**
Financial assets	2,499	1,691
Financial liabilities	(19,452)	(12,876)
	(16,952)	**(11,185)**

	Carrying amount 31 December 2020	**Carrying amount 31 December 2019**
Financial assets	1,691	1,160
Financial liabilities	(12,876)	(18,640)
	(11,185)	**(17,480)**

Measures aimed at mitigating interest rate risk include current monitoring of the situation on the money market.

The Group holds no fixed interest financial instruments at fair value through profit or loss. Moreover, the Group does not have any instruments bearing fixed interest rates, which are recognized directly in equity.

The Group performed a sensitivity analysis of variable-interest financial instruments to changes in market interest rates. The table below presents the potential impact of an increase and a decrease in interest rates of 100 basis points on the profit or loss and equity. The analysis was performed based on the assumption that all other variables, such as e.g. foreign exchange rates, remain unchanged.

	Profit/loss		**Income tax**	**Equity, including profit/loss**	
	increases 100bp	decreases 100bp	Increases/decreases 100BP	increases 100bp	decreases 100bp
2021	(310)	310	(59)	(251)	251
2020	(241)	241	(46)	(195)	195

Foreign exchange risk

Due to the fact that some of the Group's sales and purchases are made and accounted for in euros, the Group is exposed to the risk of changes in the EUR/PLN exchange rate.

Export sales represent approximately 5.2% of the Company's total sales. Purchases in foreign currencies constitute approximately 36.7% of total purchases. Therefore, exchange rate fluctuations affect the value of sales revenue and the costs of purchase of raw materials and goods for resale. A significant fluctuation in the domestic currency adversely affects the profitability of export sales and domestic sales, even though changes in revenue on export sales resulting from exchange rate fluctuations and revenue on domestic sales measured on the basis of foreign exchange rates are compensated by changes in the costs of raw materials imported (or measured on the basis of foreign exchange rates) thus mitigating, to a large extent, the Company's exposure to foreign exchange risk.

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Foreign exchange risk management comprises the following processes: risk identification and measurement, monitoring the situation on the financial markets, and adjusting, where possible, the levels of liabilities and receivables in specific currencies,
In order to mitigate the foreign exchange risk, the bank loans raised were denominated in Polish zlotys,

The tables below show the foreign exchange balance as at 31 December (in PLN thousand):

31 December 2021	Total in PLN	Position in PLN	Position in EUR	Position in CZK	Position in USD	Position in SEK	Position in UAH	Position in GBP
Total assets	198,519	185,588	2,255	3	12	59	159	10,443
Equity and liabilities	(198,519)	(190,642)	(7,877)	-	-	-	-	-
Foreign exchange exposure in PLN thousand (EUR equivalent)	-	-	(5,622)	-	-	-	-	-
Foreign exchange exposure in PLN thousand (USD equivalent)	-	-	-	-	12	-	-	-
Foreign exchange exposure in PLN thousand (SEK equivalent)	-	-	-	-	-	59	-	-
Foreign exchange exposure in PLN thousand (UAH equivalent)	-	-	-	-	-	-	159	-
Foreign exchange exposure in PLN thousand (GBP equivalent)	-	-	-	-	-	-	-	10,443
The Company's loss when the EUR exchange rate increases by 5%, in PLN thousand	-	-	(281)	-	-	-	-	-
The Company's profit when the CZK exchange rate increases by 5%, in PLN thousand	-	-	-	3	-	-	-	-
The Company's profit when the SEK exchange rate increases by 5%, in PLN thousand	-	-	-	-	-	3	-	-
The Company's profit when the UAH exchange rate increases by 5%, in PLN thousand	-	-	-	-	-	-	8	-
The Company's profit when the GBP exchange rate increases by 5%, in PLN thousand	-	-	-	-	-	-	-	522

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31 December 2020	Total in PLN	Position in PLN	Position in EUR	Position in USD	Position in SEK	Position in UA	Position in GBP
Total assets	171.885	162,384	2,681	-	-	102	6,718
Equity and liabilities	(171.885)	(166,886)	(4,925)	(74)	-		
Foreign exchange exposure in PLN thousand (EUR equivalent)	-	-	(2,244)				
Foreign exchange exposure in PLN thousand (USD equivalent)	-	-	-	- (74)	-	-	-
Foreign exchange exposure in PLN thousand (SEK equivalent)	-	-	-	-	-	-	-
Foreign exchange exposure in PLN thousand (UHA equivalent)	-	-	-	-	-	102	-
Foreign exchange exposure in PLN thousand (GBP equivalent)	-	-	-	-	-	-	6,718
The Company's loss when the EUR exchange rate increases by 1%, in PLN thousand			(22)		-	-	-
The Company's loss when the USD exchange rate increases by 1%, in PLN thousand	-	-	-	(1)	-	-	-
The Company's profit when the SEK exchange rate increases by 1%, in PLN thousand	-	-	-	-	-	-	-
The Company's profit when the UAH exchange rate increases by 1%, in PLN thousand	-	-	-	-	-	1	-

Commodity risk

The Company's activities are characterized by the relative volatility of raw material prices in relation to goods for resale and finished goods sold. The effect of these fluctuations is the volatility of the margins earned on the sale and production of individual types of goods. In particular, the prices of products such as polymer dispersions and dyeing agents are highly sensitive to the level of petroleum prices on the international markets, which is very difficult to forecast.

The Company's procurement policy assumes the diversification of the suppliers of all raw materials necessary for the manufacture of the Company's products so as to have a number of alternative contractors within each group of raw materials. The value of purchase in the case of any of the suppliers does not exceed 7.5% of the total raw material costs.

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In trade agreements, there are no mechanisms of the automatic transfer of a cost price to a selling price, which requires the Company to monitor market price levels on an ongoing basis and to determine them appropriately through a discount system in place and to update the basic price lists. For this reason, it may be assumed that some of the stocks of finished goods maintained by the Company as at the balance sheet date carried the risk that the cost prices of raw materials did not match the selling prices of finished goods. It is estimated that in case of such discrepancy of 1%, the Group is exposed to a gain or loss of approximately PLN 32 thousand.

Ratio Analysis and its elements

Ratio	Numerator	Denominator	Comments	31 December 2021	31 December 2020
Current ratio	Current Assets	Current Liabilities	-	122,4%	114,8%
Debt- Equity Ratio	Total Debt	Shareholder’s Equity	-	54,7%	42,3%
Debt Service Coverage ratio	Earnings for debt service = Net profit after taxes + Non-cash operating expenses	Debt service = Interest & Lease Payments + Principal Repayments	-	494,4%	479,6%
Return on Equity ratio	Net Profits after taxes – Preference Dividend	Average Shareholder’s Equity	-	11,1%	10,6%
Inventory Turnover ratio	Cost of goods sold	Average Inventory	days	54,64	48,47
Trade Receivable Turnover Ratio	Net credit sales = Gross credit sales - sales return	Average Trade Receivable	-	672,6%	605,6%
Trade Payable Turnover Ratio	Net credit purchases = Gross credit purchases - purchase return	Average Trade Payables	-	596,1%	647,3%
Net Capital Turnover Ratio	Net sales = Total sales - sales return	Working capital = Current assets – Current liabilities	current libilities and current assets are very low at	19,21	31,28

Notes to the consolidated financial statements
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			the end of a year - seasonality		
Net Profit ratio	Net Profit	Net sales = Total sales - sales return	-	7,1%	7,8%
Return on Capital Employed	Earnings before interest and taxes	Capital Employed = Tangible Net Worth + Total Debt + Deferred Tax Liability	-	12,7%	11,8%

Notes to the consolidated financial statements
(in thousands of Polish zlotys, unless otherwise stated)

21C. Fair value of financial instruments

Detailed information on the fair value of financial instruments where estimation is possible is shown below:

- Cash and cash equivalents, short-term bank deposits and short-term loans and borrowings – the carrying amounts of these instruments are very similar to their fair values given the short maturities of such instruments;
- Trade receivables, other receivables, trade payables and other payables – the carrying amounts of these instruments are similar to their fair values given their short-term nature;
- Long-term bank loans, lease liabilities – the carrying amounts of these instruments is similar to their fair values given the variable interest on these instruments.

21D. Equity management

The main objective of the Company's capital management policy is to maintain a strong capital base to ensure confidence on the part of investors, lenders and the market and to ensure the Company's future development. The Group monitors changes in the ownership structure, return-on-equity indicators and debt-to-equity ratios.
The Company aims to achieve a return on equity at a level satisfactory to its shareholder.
During the year, there were no changes in the Company's capital management policy.

22. Contingent liabilities

Financing liabilities, guarantees and contingent liabilities:

In order to enable a subsidiary, Soltherm External Insulations Limited, to take advantage of the relief from the obligation to have its financial statements audited, referred to in section 479A of the Companies Act 2006, the parent company Bolix S.A. granted a guarantee covering all liabilities of the subsidiary as at 31 December 2021 for the period until these liabilities have been fully satisfied. The Group has entered into an agreement with Solid Wall Insulation Agency in Great Britain, under which it provided a guarantee to its subsidiary, Soltherm External Insulations Ltd., to cover the costs of possible claims resulting from the use of the thermal insulation systems produced by Bolix and introduced by Soltherm on the British market under ECO programmes. The guarantee is limited to GBP 1,700,000, and it represents the concretization of the product liability of the manufacturer of thermal insulation systems.

In addition, the Group granted a guarantee to Watmos Community Homes in the UK for the performance of a contract for works relating to the improvement of the energy efficiency of buildings, performed by a related entity Surefire Management Services Ltd.

23. Other significant information affecting the Company's position

After two years of operating in the conditions of a pandemic, the main markets and the logistics supply chain have not felt any disturbances. There is no disruption in the supply of raw materials, but there are signals about the suspension of production, a slowdown in production or warnings about the lack of liquidity. In the case of any difficulties with deliveries of raw materials, the Group will use the possibility of sourcing them from domestic suppliers. The Group keeps in touch with its suppliers. The employees were not subject to obligatory quarantine, and the agreed measures considerably reduced the possibility of the virus spreading in the workplace. As a rule, there are no problems with the availability of staff. All functions of the enterprise are performed smoothly and without any significant staff shortages.

Anticipated situation.
The forecast budgeted financial results stipulate a significant increase compared with 2021. We do not expect any significant deviations from this forecast.

The Management Board does not see any significant reasons why COVID-19 should pose a serious threat to the Company's existence, either on the revenue side or on the costs side. As far as key raw materials are concerned, the Group is not dependent on a single source of supplies and is able to adapt to alternative raw materials. In the opinion of the Management Board, the present situation does not affect the Company's uncertainty as to its going concern status.

24. Post balance sheet date events

On 24 March 2022, the 12th amendment to the multi-purpose credit facility agreement with BNP Paribas Bank Polska S.A. increased the limit of the principal by PLN 4 million.

Russia's invasion on Ukraine which started in February 2022 has not caused any significant problems for the Group's operations until the date of these financial statements. The Ukrainian and Russian markets jointly constituted 2.1% of the Company's sales revenue in 2021, therefore the expected sales slump will not have a significant impact on the Group's financial condition. The current weakening of the Polish currency and increase in energy resource prices may have an impact on the Company's profitability in the short term, however, these factors are of a universal nature and the Company expects that it will be able to compensate for them partly by increasing its selling prices. Moreover, the Bolix Ukraine subsidiary's assets in the form of inventories and receivables of approx. PLN 1 million in Kyiv are significantly threatened. After temporarily suspending operations, in April the Subsidiary transferred its offices and assets to Lviv, and its operations were resumed in a limited scope. The Subsidiary's employees are safe.
Apart from the above, after 31 December 2021, i.e. after the last day of the reporting period, to the best of our knowledge, there were no other significant events which may have had a material effect on the assessment of the Company's financial position or results of operations which have not been recognized in the financial statements as at and for the year ended 31 December 2021.

Notes to the consolidated financial statements
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25. Transactions with related entities

As presented in Note 1(a), the Group is owned and controlled by Lusako Trading Limited. Lusako is an entity wholly-owned by the Berger Paints India Limited Group ("Berger") based in India.

The Group purchased colour palettes from BERGER PAINTS INDIA LTD for PLN 51 thousand, and the related liability was settled.

The Group sold goods and services of PLN 3,067 thousand to Surefire Management Services Ltd (SMS Ltd) (the finished goods of PLN 1,964 thousand and services of PLN 1,103 thousand mainly representing reinvoiced property insurance and other current and employment costs), and the receivable from that related company amounted to PLN 6,622 thousand as at 31 December 2021.

Transactions with related entities were conducted on terms equivalent to those that apply to transactions carried out on an arm's length basis.

In 2021, the following persons were on the Management Board:
- Mr Maciej Korbasiewicz;
- Mr Ryszard Czech;
- Mr Piotr Michalski (from 21 June 2021)

The members of the Management Board were employed on the basis of employment contracts and were entitled only to short-term benefits.

Due to the fact that the Management Board consists of three persons, the expenses arising from these contracts have not been disclosed.

26. Fee of the Registered Auditor

	2021	**2020**
Bolix S.A. and Bolix S.A. Group	99	112
SOLTHERM EXTERNAL INSULATIONS LTD UK	43	
SOLTHERM INSOLATIONS THERMIQUE EXTERIEURE France	16	14
Surefire Management Services Ltd. (an associated company)	43	38
Quarterly reviews of the Bolix Group conducted by PwC	63	62
Other work carried out by auditors	-	6
Total	**264**	**232**

Unaudited companies include Build-Trade Sp. z o.o., Soltherm External Insulations Limited and Bolix Ukraina Sp. z o.o.

Notes to the consolidated financial statements
(in thousands of Polish zlotys, unless otherwise stated)

Signatures of the Members of the Management Board:

....
President of the Management Board
Maciej Korbasiewicz

....
Member of the Management Board
Ryszard Czech

....
Member of the Management Board
Piotr Michalski

Signature of the person responsible for maintaining the books of account
....
Chief Accountant
Brygida Salwitzek-Wypchałowska

Żywiec, 10 May 2022