



## **MERCOR GROUP**

Consolidated financial  
statements for the period  
from 1 April 2023 to 31  
March 2024

prepared in accordance with International Financial  
Reporting Standards as endorsed by the European  
Union

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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	NOTE	1 Apr 2023 – 31 Mar 2024	1 Apr 2022 – 31 Mar 2023
		PLN thousand	PLN thousand
Revenue	3	587,401	628,358
Cost of sales	4	434,325	472,164
<b>Gross profit</b>		<b>153,076</b>	<b>156,194</b>
Other income	5	2,124	2,976
Distribution costs	4	54,790	51,650
Administrative expenses	4	40,046	36,921
Other expenses	6	3,475	2,090
(Expected credit loss)/reversal of expected credit loss	28	201	242
<b>Operating profit</b>		<b>57,090</b>	<b>68,751</b>
Finance income	7	10,347	2,801
Finance costs	8	7,458	9,212
Share of profit (loss) of equity-accounted investees		(589)	(1,901)
<b>Profit before tax</b>		<b>59,390</b>	<b>60,439</b>
Income tax	9	6,622	13,221
<i>Net profit (loss) from continuing operations</i>		52,768	47,218
<b>Net profit</b>		<b>52,768</b>	<b>47,218</b>
<i>Attributable to:</i>			
<i>owners of the parent</i>		49,310	41,695
<i>non-controlling interests</i>		3,458	5,523
<b>Other comprehensive income</b>			
<b>Items that may be reclassified to profit or loss</b>		<b>(13,173)</b>	<b>(2,324)</b>
Exchange differences on translation of foreign operations		(13,173)	(2,324)
<b>Items that will not be reclassified to profit or loss</b>		<b>-</b>	<b>-</b>
<b>Net other comprehensive income</b>		<b>(13,173)</b>	<b>(2,324)</b>
<b>Total comprehensive income</b>		<b>39,595</b>	<b>44,894</b>
<i>Attributable to:</i>			
<i>owners of the parent</i>		38,745	39,469
<i>non-controlling interests</i>		850	5,425
<b>Earnings per share (PLN):</b>	10		
Basic		3.19	2.68
Diluted		3.19	2.68
<b>Earnings per share from continuing operations (PLN):</b>			
Basic		3.19	2.68
Diluted		3.19	2.68

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTE	End of period 31 Mar 2024	End of period 31 Mar 2023
		PLN thousand	PLN thousand
<b>Non-current assets</b>			
Goodwill	11	47,288	51,613
Other intangible assets	11	28,148	26,866
Property, plant and equipment	12	84,440	79,424
Right-of-use assets	25	17,500	18,705
Deferred tax assets	9	4,170	4,446
Other financial assets		3,955	3,767
Long-term security deposits receivable	14	13,089	9,665
Equity-accounted investees	13	-	493
Other non-current assets	15	811	297
		<b>199,401</b>	<b>195,276</b>
<b>Current assets</b>			
Inventories	16	72,120	77,415
Financial assets		-	-
Trade and other receivables	17	104,680	109,696
Contract assets		29,056	27,913
Short-term security deposits receivable	14	3,665	4,344
Current income tax assets		1,988	796
Forward contracts		39	-
Other current assets	18	5,810	2,970
Cash and cash equivalents	19	15,621	29,248
		<b>232,979</b>	<b>252,382</b>
<b>Total assets</b>		<b>432,380</b>	<b>447,658</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONTINUED

	<u>NOTE</u>	<u>End of period</u> <u>31 Mar 2024</u>	<u>End of period</u> <u>31 Mar 2023</u>
		PLN thousand	PLN thousand
<b>Equity</b>			
Share capital		3,892	3,915
Share premium		106,202	106,202
Share buyback reserve		6,180	7,245
Merger reserve		857	857
Translation reserve		(8,150)	2,415
Treasury shares		(2,574)	(1,507)
Retained earnings		120,454	94,568
<b>Equity attributable to owners of the parent</b>	20	<b>226,861</b>	<b>213,695</b>
Non-controlling interests		12,409	12,101
<b>Total equity</b>		<b>239,270</b>	<b>225,796</b>
<b>Non-current liabilities</b>			
Long-term borrowings	21	60,535	67,762
Deferred tax liabilities	9	96	51
Provisions for liabilities	22	555	555
Deferred income	24	3,303	3,465
Right-of-use liabilities	25	10,566	14,369
		<b>75,055</b>	<b>86,202</b>
<b>Current liabilities</b>			
Short-term borrowings	21	8,774	10,252
Trade and other payables	23	92,092	112,090
Contract liabilities		3,688	2,240
Current income tax liabilities		579	2,393
Forward contracts		-	21
Provisions for liabilities	22	4,195	4,170
Deferred income	24	502	554
Right-of-use liabilities	25	8,225	3,940
		<b>118,055</b>	<b>135,660</b>
<b>Total liabilities</b>		<b>193,110</b>	<b>221,862</b>
<b>Total equity and liabilities</b>		<b>432,380</b>	<b>447,658</b>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<u>Share capital</u>	<u>Share premium</u>	<u>Merger reserve</u>	<u>Share buyback reserve</u>	<u>Translation reserve</u>	<u>Treasury shares</u>	<u>Retained earnings</u>	<u>Equity attributable to owners of the parent</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
<b>As at 1 Apr 2022</b>	<b>3,915</b>	<b>106,202</b>	<b>857</b>	<b>7,245</b>	<b>4,641</b>	<b>(922)</b>	<b>62,738</b>	<b>184,676</b>	<b>7,021</b>	<b>191,697</b>
Net profit (loss) for reporting period	-	-	-	-	-	-	41,695	41,695	5,523	47,218
Other comprehensive income	-	-	-	-	(2,226)	-	-	(2,226)	(98)	(2,324)
<b>Comprehensive income for reporting period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,226)</b>	<b>-</b>	<b>41,695</b>	<b>39,469</b>	<b>5,425</b>	<b>44,894</b>
Release of capital reserve (buyback of shares)	-	-	-	-	-	-	-	-	-	-
Buyback of shares	-	-	-	-	-	(585)	-	(585)	-	(585)
Dividends declared or paid	-	-	-	-	-	-	(9,865)	(9,865)	(345)	(10,210)
<b>Transactions with owners recognised in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(585)</b>	<b>(9,865)</b>	<b>(10,450)</b>	<b>(345)</b>	<b>(10,795)</b>
<b>Increase (decrease) in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,226)</b>	<b>(585)</b>	<b>31,830</b>	<b>29,019</b>	<b>5,080</b>	<b>34,099</b>
<b>As at 31 Mar 2023</b>	<b>3,915</b>	<b>106,202</b>	<b>857</b>	<b>7,245</b>	<b>2,415</b>	<b>(1,507)</b>	<b>94,568</b>	<b>213,695</b>	<b>12,101</b>	<b>225,796</b>



	<u>Share capital</u>	<u>Share premium</u>	<u>Merger reserve</u>	<u>Share buyback reserve</u>	<u>Translation reserve</u>	<u>Treasury shares</u>	<u>Retained earnings</u>	<u>Equity attributable to owners of the parent</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
<b>As at 1 Apr 2023</b>	<b>3,915</b>	<b>106,202</b>	<b>857</b>	<b>7,245</b>	<b>2,415</b>	<b>(1,507)</b>	<b>94,568</b>	<b>213,695</b>	<b>12,101</b>	<b>225,796</b>
Net profit (loss) for reporting period	-	-	-	-	-	-	49,310	49,310	3,458	52,768
Other comprehensive income	-	-	-	-	(10,565)	-	-	(10,565)	(2,608)	(13,173)
<b>Comprehensive income for reporting period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,565)</b>	<b>-</b>	<b>49,310</b>	<b>38,745</b>	<b>850</b>	<b>39,595</b>
Release of capital reserve (buyback of shares)	-	-	-	-	-	-	-	-	-	-
Buyback of shares	-	-	-	-	-	(2,155)	-	(2,155)	-	(2,155)
Cancellation of shares	(23)	-	-	(1,065)	-	1,088	-	-	-	-
Dividends declared or paid	-	-	-	-	-	-	(23,424)	(23,424)	(542)	(23,966)
<b>Transactions with owners recognised in equity</b>	<b>(23)</b>	<b>-</b>	<b>-</b>	<b>(1,065)</b>	<b>-</b>	<b>(1,067)</b>	<b>(23,424)</b>	<b>(25,579)</b>	<b>(542)</b>	<b>(26,121)</b>
<b>Increase (decrease) in equity</b>	<b>(23)</b>	<b>-</b>	<b>-</b>	<b>(1,065)</b>	<b>(10,565)</b>	<b>(1,067)</b>	<b>25,886</b>	<b>13,166</b>	<b>308</b>	<b>13,474</b>
<b>As at 31 Mar 2024</b>	<b>3,892</b>	<b>106,202</b>	<b>857</b>	<b>6,180</b>	<b>(8,150)</b>	<b>(2,574)</b>	<b>120,454</b>	<b>226,861</b>	<b>12,409</b>	<b>239,270</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	<u>1 Apr 2023 –</u> <u>31 Mar 2024</u>	<u>1 Apr 2022 –</u> <u>31 Mar 2023</u>
	PLN thousand	PLN thousand
<b><i>Operating activities</i></b>		
Profit before tax	59,390	60,439
Adjustments for:		
Depreciation and amortisation	19,223	18,873
Interest and share of profits (dividends)	5,051	7,751
Gains from investing activities	(320)	748
Change in inventories	5,295	(6,825)
Change in receivables	2,232	2,073
Change in liabilities and provisions	(20,451)	12,412
Change in contract assets and liabilities	305	(17,429)
Change in other assets	783	(277)
Other adjustments	(13,173)	(2,324)
<b>Total adjustments</b>	<b>(1,055)</b>	<b>15,002</b>
Total cash flows from operating activities	58,335	75,441
Income tax paid	(9,307)	(11,395)
	<b>49,028</b>	<b>64,046</b>
<b><i>Investing activities</i></b>		
Payments for purchased property, plant and equipment and intangible assets	(20,167)	(10,932)
Proceeds from disposal of property, plant and equipment	813	-
Payments for purchased financial assets (acquisition of shares in a jointly controlled entity)	-	-
Loans	-	(1,581)
Grants received for development projects	243	556
	<b>(19,111)</b>	<b>(11,957)</b>
<b><i>Financing activities</i></b>		
Proceeds from (repayment of) borrowings	(8,705)	(11,589)
Principal lease payments	(3,667)	(12,645)
Dividends paid	(23,966)	(10,210)
Interest paid	(5,051)	(7,751)
Buyback of shares	(2,155)	(585)
	<b>(43,544)</b>	<b>(42,780)</b>
<b>Change in cash</b>	<b>(13,627)</b>	<b>9,309</b>
Cash at beginning of period	29,248	19,939
<b>Cash at end of period</b>	<b>15,621</b>	<b>29,248</b>

## NOTES

### NOTE 1 – GENERAL INFORMATION

#### 1. The parent

MERCOR S.A. (the “Company”) acts as the parent of the MERCOR Group (the “Group” or “MERCOR Group”). The Company operates as a joint stock company. Prior to 21 September 2024, it traded as a limited liability company under the name of Przedsiębiorstwo Usługowo-Handlowe MERCOR Sp. z o.o. On 21 September 2004, the Company underwent a legal transformation, changing its form of incorporation from limited liability company to joint stock company.

The Company’s registered office is located in Gdańsk (registered address: ul. Grzegorza z Sanoka 2, Gdańsk, Poland), which is the principal place of business of the Company. The Company operates at its principal place of business, as well as through trade offices and production establishments. None of these entities maintains a separate set of accounts. MERCOR S.A. is registered in Poland with the District Court for Gdańsk-Północ in Gdańsk, 7th Commercial Division of the National Court Register, under entry No. KRS 0000217729.

The principal business of the parent and the Group consists in the manufacture, sale, installation and maintenance of passive fire protection systems. Until 16 December 2013, the Group’s product portfolio encompassed all four product groups within the sector of passive fire protection systems:

- fire separation elements (doors, gates, panel walls),
- smoke and heat exhaust systems, rooflight systems,
- fire ventilation systems,
- fire protections of building structures.

On 16 December 2013, the Group divested its fire separations business to an external investor and discontinued offering these solutions. From the date of divestment until April 2017, the fire separations segment focused exclusively on completing ongoing contracts, with the necessary approval from the new owner of the business line. In April 2017, the parent acquired shares in SP ZERO Sp. z o.o. (now DFM Doors Sp. z o.o.), an entity specialising in fire separations. This strategic move was part of the Mercor Group’s broader plan to reenter this segment of the market with a new business model.

In terms of geographical distribution, the Group’s sales predominantly focus on the Polish market (51%), followed by the Russian (8%), Spanish (8%), Hungarian (8%), Czech and Slovak (7% combined) markets. Sales to other countries account for a total of 18%.

As at 31 March 2024 and as at the date of issue of these consolidated financial statements, the Management Board of the parent was composed of:

Krzysztof Krempeć – President of the Management Board,  
Jakub Lipiński – First Vice President of the Management Board,  
Tomasz Kamiński – Member of the Management Board.

The composition of the Management Board did not change during the financial year.

As at 31 March 2024 and as at the date of issue of these consolidated financial statements, the Supervisory Board of the parent was composed of:

Lucjan Myrda – Chair of the Supervisory Board,  
 Arkadiusz Kęsicki – Deputy Chair of the Supervisory Board,  
 Tomasz Rutowski – Secretary of the Supervisory Board,  
 Eryk Karski – Member of the Supervisory Board  
 Marian Popinigis – Member of the Supervisory Board,  
 Pathy Timu Zenzo – Member of the Supervisory Board,  
 Błażej Żmijewski – Member of the Supervisory Board.

The composition of the Supervisory Board did not change during the financial year.

## 2. Companies of the Group

As at 31 March 2024, apart from the parent company, the MERCOR Group consisted of the following entities:

Name	Principal business	Subordination status	% ownership interest	% voting interest
TOB Mercor Ukraine Sp. z o.o. of Drohovyzh (Ukraine)	sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	55%	55%
Mercor Fire Protection Systems s.r.l. of Bucharest (Romania)	sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	100%	100%
Tecresa Protección Pasiva S.L.U of Madrid (Spain)	manufacture, sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	100%	100%
MHD1 Sp. z o.o. of Gdańsk (Poland)	execution of construction projects	Subsidiary consolidated using the full method	100%	100%
OOO Mercor Proof of Moscow (Russia)	manufacture, sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	55%	55%
MKRP Systems Unitary Production Enterprise of Minsk (Belarus) (subsidiary of OOO Mercor Proof)	sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	55%	55%
TOO MKR – Astana of Almaty (Kazakhstan) (subsidiary of Mercor Proof)	sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	55%	55%
MERCOR HD Sp. z o.o. of Gdańsk (Poland)	execution of construction projects	Subsidiary consolidated using the full method	100%	100%
Mercor Czech Republic s.r.o. of Ostrava (Czech Republic)	sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	100%	100%
Mercor Slovakia s.r.o. of Bratislava (Slovakia)	sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	100%	100%
MERCOR SILBOARD Sp. z o.o. of Gdańsk (Poland)	sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	100%	100%
Mercor Dunamenti Tűzvédelem Zrt of Göd (Hungary)	sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	100%	100%

Dunamenti CZ s.r.o. of Prague (Czech Republic) (subsidiary of Dunamenti Tűzvédelem Zrt)	sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	100%	100%
Dunamenti s.r.o. of Kolárovo (Slovakia) (subsidiary of Dunamenti Tűzvédelem Zrt)	sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	100%	100%
DFM Doors Sp. z o.o. of Gdańsk (Poland)	manufacture of passive fire protection systems	Subsidiary consolidated using the full method	82%	82%
MCR Sol Energy Sp. z o.o. of Gdańsk (Poland)	generation, transmission and distribution of electricity	Subsidiary consolidated using the full method	100%	100%
Mercor Fire Protection Ltd of Salford (UK)	sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	100%	100%
MCR TECH LAB Sp. z o.o. of Gdańsk (Poland)	computer programming and consultancy	Subsidiary consolidated using the full method	51%	51%
MERCOR Centrum Usług Wspólnych Sp. z o.o. of Gdańsk (Poland)	administrative, office, accounting, HR and payroll, IT and marketing services	Subsidiary consolidated using the full method	100%	100%
Elmech-ASE S.A. of Pruszcz Gdański (Poland)	design and manufacture of electronics and power electronics	Equity-accounted jointly controlled entity	50%	50%

There were no changes in the Group structure in the financial year 2023/2024.

As at 31 March 2023, apart from the parent company, the MERCOR Group consisted of the following entities:

Name	Principal business	Subordination status	% ownership interest	% voting interest
TOB Mercor Ukraine Sp. z o.o. of Drohovyzh (Ukraine)	sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	55%	55%
Mercor Fire Protection Systems s.r.l. of Bucharest (Romania)	sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	100%	100%
Tecresa Protección Pasiva S.L.U of Madrid (Spain)	manufacture, sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	100%	100%
MHD1 Sp. z o.o. of Gdańsk (Poland)	execution of construction projects	Subsidiary consolidated using the full method	100%	100%
OOO Mercor Proof of Moscow (Russia)	manufacture, sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	55%	55%
MKRP Systems Unitary Production Enterprise of Minsk (Belarus) (subsidiary of OOO Mercor Proof)	sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	55%	55%
TOO MKR – Astana of Almaty (Kazakhstan) (subsidiary of Mercor Proof)	sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	55%	55%
MERCOR HD Sp. z o.o. of Gdańsk (Poland)	execution of construction projects	Subsidiary consolidated using the full method	100%	100%

Mercor Czech Republic s.r.o. of Ostrava (Czech Republic)	sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	100%	100%
Mercor Slovakia s.r.o. of Bratislava (Slovakia)	sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	100%	100%
MERCOR SILBOARD Sp. z o.o. of Gdańsk (Poland)	sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	100%	100%
Mercor Tűzvédelem Zrt (Hungary)	sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	100%	100%
Dunamenti CZ s.r.o. of Prague (Czech Republic) (subsidiary of Dunamenti Tűzvédelem Zrt)	sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	100%	100%
Dunamenti s.r.o. of Kolárovo (Slovakia) (subsidiary of Dunamenti Tűzvédelem Zrt)	sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	100%	100%
DFM Doors Sp. z o.o. of Gdańsk (Poland)	manufacture of passive fire protection systems	Subsidiary consolidated using the full method	82%	82%
MCR Sol Energy Sp. z o.o. of Gdańsk (Poland)	generation, transmission and distribution of electricity	Subsidiary consolidated using the full method	100%	100%
Mercor Fire Protection Ltd of Saford (UK)	sale, construction and assembly of passive fire protection systems	Subsidiary consolidated using the full method	100%	100%
MCR TECH LAB Sp. z o.o. of Gdańsk (Poland)	computer programming and consultancy	Subsidiary consolidated using the full method	51%	51%
MERCOR Centrum Usług Wspólnych Sp. z o.o. of Gdańsk (Poland)	administrative, office, accounting, HR and payroll, IT and marketing services	Subsidiary consolidated using the full method	100%	100%
Elmech-ASE S.A. of Pruszcz Gdański (Poland)	design and manufacture of electronics and power electronics	Equity-accounted jointly controlled entity	50%	50%

### 3. Going concern assumption

These consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern for at least 12 months from the reporting date. As at the date of authorisation of these financial statements, the Management Board of the Group was not aware of any facts or circumstances that would indicate a threat to the Group continuing as a going concern in the period of at least 12 months from the reporting date, as a result of an intended or forced discontinuation or material limitation/restriction of its existing business.

As part of the assumptions underlying this assessment, the Management Board also considered the potential impact of the war in Ukraine. The Group will continue to monitor the current situation and implement all necessary measures to mitigate any adverse effects as the situation develops.

### 4. Impact of the war in Ukraine on the Group's business

The Management Board of the parent has analysed the impact of the war in Ukraine on its and its subsidiaries' business since the war broke out on 24 February 2022. This comprehensive analysis encompasses various dimensions, including market dynamics, financial considerations, operational

aspects, existing and evolving local and international laws and regulations, as well as the sanctions and other restrictions imposed on countries, entities, and individuals as a result of the conflict.

The Management Board has used its best knowledge and exercised due diligence in assessing the impact of the war on the business and results of operations of the Group and its companies. The following risk factors were identified in the process: potential changes in investor sentiment and investor preferences; rising prices and shortages of raw materials and energy; potential disruptions to the supply chain; fluctuations in interest rates and currency exchange rates; changes in the labour market; financial soundness of trading partners; cyber security, sanctions, and dividends. The Management Board of the Company and the management bodies of other Group companies consider a non-exhaustive range of facts and circumstances when making decisions, in order to adjust operations to the current situation and reduce or eliminate any adverse impacts of the risk factors they are monitoring.

The Company and other Group companies secure supplies of strategic raw materials and respond to changes in their prices as needed. During the reporting period there were no significant business disruptions that would affect the supply of materials, equipment, components, or labour. As at the reporting date, there were no significant changes in the collectability of receivables.

In the opinion of the Management Board, no sanctions are likely to be imposed on the Group companies or their related parties. Considering the grounds for the imposition of sanctions by different countries or organisations on entities or individuals in connection with the armed conflict in Ukraine, to the best of the Management Board's knowledge, the ownership structure of the Group companies is secure. The Company and other Group companies monitor the sanctions lists also in the context of any potential disruptions to the supply of products or services. As at the date of this report, the Group was not materially affected by any sanctions.

As regards the countries involved in the war, the Group holds a 55% equity interest in the Ukrainian-based company TOB MERCOR UKRAINA Sp. z o.o., and, directly and indirectly (through a Group company), a total of 55% of the share capital of the Russian-based company OOO Mercor-PROOF LLC. The Group has retained control of these subsidiaries, and shareholders' rights are being exercised in accordance with applicable laws and the internal regulations of the companies in Ukraine and Russia.

As at the date of this report, TOB MERCOR UKRAINA conducted production and trading operations to the extent permitted by the available human resources. The company has its registered office in Lviv, a city in western Ukraine, with production operations conducted at a facility located even further west. These regions have experienced little to no military activity. The company does not generate losses, and none of its assets have been destroyed. The Ukrainian company does not use external financing and pays its liabilities from operating cash flows. To the best knowledge of the Management Board of the Company, there are no reasons to expect any material changes in the operations of MERCOR UKRAINA or any potential reduction in the scale of its operations despite the ongoing war. Most orders received by the company are from other Group companies, and the Management Board of the parent monitors the level and profitability of the orders and capacity utilisation rates on an ongoing basis. Given the results of order and production analyses, location and no material exposure of the company to the Ukrainian market, the Management Board believes there is no indication of impairment of TOB MERCOR UKRAINA's assets. The total net asset value of the Ukrainian subsidiary is PLN 4,570 thousand, representing 1.1% of the assets disclosed in these consolidated financial statements.

The Russian-based company is also continuing its operations, supplying products and services to the local market. However, no products or parts of products have been shipped by the Group companies to this or other Russian companies since the outbreak of the war. Mercor-PROOF sources production materials locally, which allows it to conduct independent financing and operating activities in the Russian market. The analysis of the Russian company's cash flow and liquidity forecasts for the next 12 months has concluded that there are no significant concerns or risks pertaining to these financial metrics. The parent is also monitoring the level and profitability of orders received by the company. Taking into account the analysis of the order book, projected profitability, and liquidity position, as well as the fact that Mercor-PROOF operates independently and does not engage in intragroup transactions subject to

international sanctions, the Management Board is confident that there are no indications of asset impairment.

Save for regulations implemented by the Russian government, the Management Board of the parent has not identified any significant changes to the method or terms of dividend payments to the Company. All dividend payments from subsidiaries will continue to be made under the existing terms and conditions, contingent upon the fulfilment of the criteria governing profit distribution. The sole restriction in this regard applies to the payment of dividend from Mercor-PROOF, where amounts exceeding RUB 10 million (or PLN 430 thousand at the exchange rate effective for the reporting date) require approval of the Russian Ministry of Finance.

Given the present situation, the Management Board of the parent believes it still has control of the Russian company as no grounds exist for it losing the voting rights attached to its shareholding. As regards exposure to variable returns, the Management Board believes that as at the reporting date and as at the date of these financial statements restrictions on the distribution of profits did not hinder the exercise of control of the subsidiary. The Management Board is monitoring the situation in Russia and assessing any indications, in accordance with IFRS 10, regarding the exercise of control over the subsidiary. The total net asset value of the Russian subsidiary is PLN 20,382 thousand, which accounts for 4.7% of the assets disclosed in these consolidated financial statements.

In view of the above and given the small contributions from the companies to consolidated revenue (Russian operations: 7.9% of the Group's revenue; Ukrainian operations: 0.8% of the Group's revenue), as at the date of these financial statements, the Management Board of the parent identified no material impact of the war in Ukraine on the operations and results of the Group.

Based on the analyses performed, the Management Board of the parent identified no threat to the Company's and other Group companies' ability to continue as going concerns as at the date of these financial statements and for the foreseeable future.

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

During the financial year (in July 2023), the state of the epidemic was officially abolished in Poland, the principal place of business of the parent. Neither the COVID-19 pandemic nor the abolition of the state of epidemic had a material effect on the financial condition of the parent and the Group.

## NOTE 2 – MATERIAL ACCOUNTING POLICIES

These consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments measured at fair value.

Financial data contained in these consolidated financial statements is presented in thousands of Polish złoty (PLN thousand), unless more accurate data is provided in specific cases.

The functional currency is the same as the local currency of the country in which a given Group entity is located. Currently, the Group companies operate in Poland, the Czech Republic, Slovakia, Spain, Ukraine, Romania, the Russian Federation, Hungary and the United Kingdom. The functional currency and the presentation currency of the parent is the Polish złoty (PLN).

### 1. Basis of accounting and statement of compliance

These consolidated financial statements of the MERCOR Group for the year ended 31 March 2024 have been prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union.

## 2. New standards and interpretations not applied in these financial statements

### Effect of application of new accounting standards and changes in accounting policies

The accounting policies applied in the preparation of these financial statements for the year ended 31 March 2024 are consistent with those applied in the preparation of the full-year financial statements for the previous financial year, except for the application of new or revised standards and interpretations effective for annual periods beginning on or after 1 January 2023.

- **IFRS 17 Insurance Contracts**

IFRS 17 *Insurance Contracts* has replaced IFRS 4 *Insurance Contracts*. IFRS 17 applies to all types of insurance contracts (i.e. life insurance, property insurance, direct insurance and reinsurance contracts), irrespective of the legal and regulatory status of their issuer, as well as to certain guarantees and investment contracts with discretionary participation features. IFRS 17 provides for a number of recognition exemptions.

- **Definition of Accounting Estimates – amendments to IAS 8**

The amendments introduce a new definition of an accounting estimate, and clarify that changes in accounting estimates and in accounting policies are not the correction of errors. They also contain detailed information on how entities use measurement techniques and inputs to develop accounting estimates. The amendments apply to changes in accounting policies and changes in accounting estimates that occurred on or after 1 January 2023. In 2023, the Group applied those clarifications in assessing whether an event was a change in accounting estimates or in accounting policies or the correction of errors.

- **Disclosure of Accounting Policies – amendments to IAS 1 and IFRS Practice Statement 2**

The objective of the amendments to IAS 1 and Practice Statement 2 *Making Materiality Judgements* is to enhance the usefulness of accounting policy disclosures by introducing the requirement for entities to disclose material accounting policies rather than significant accounting policies, and by adding guidance on how entities should apply the materiality principle when making decisions about accounting policy disclosures.

- **Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – amendments to IAS 12**

The amendments narrowed the scope of the initial recognition exemption in the standard so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

- **Income tax: International Tax Reform – Pillar Two Model Rules – amendments to IAS 12**

The amendments introduced a mandatory temporary exception to the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules. At the same time, they imposed the following disclosure requirements:

- requirement to disclose that the entity has applied the exception concerning the recognition and disclosure of information about deferred tax assets and liabilities related to the pillar two income taxes,
- requirement that an entity discloses separately its current tax expense related to pillar two income taxes,
- requirement that in periods in which pillar two legislation is enacted or substantively enacted, but not yet in effect, an entity discloses known or reasonably estimable information that helps users of financial statements understand the entity's exposure to pillar two income taxes arising from that legislation.

The amended standards and interpretations which were applied for the first time in the financial year ended 31 March 2024 do not have a material effect on the consolidated financial statements of the Group.

The Group did not elect to early adopt any of the standards, interpretations or amendments that have been published but are not effective as not yet endorsed by the European Union.

### Standards not yet effective (new standards and interpretations)

The following standards and interpretations have been issued by the International Accounting Standards Board, but were not yet effective as at the reporting date:

- **IFRS 14 *Regulatory Deferral Accounts*** (issued on 30 January 2014) – pursuant to the European Commission's decision, the process leading to the endorsement of a preliminary version of the standard will not be initiated until its final version is published; not endorsed by the EU as at the date of authorisation of these financial statements for issue; effective for annual periods beginning on or after 1 January 2016.
- **Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*** (issued on 11 September 2014) – work on endorsing the amendments has been deferred indefinitely by the EU; effective date deferred indefinitely by the IASB.
- **Amendment to IAS 21 *The effects of Changes in Foreign Exchange Rates: Lack of Exchangeability*** (issued on 15 August 2023) – not endorsed by the EU as at the date of authorisation of these financial statements for issue; effective for annual periods beginning on or after 1 January 2025.
- **IFRS 18 *Presentation and Disclosure in Financial Statements*** (issued on 9 April 2024) – not endorsed by the EU as at the date of authorisation of these financial statements for issue; effective for annual periods beginning on or after 1 January 2027.
- **IFRS 19 *Subsidiaries without Public Accountability: Disclosures*** (issued on 9 May 2024) – not endorsed by the EU as at the date of authorisation of these financial statements for issue; effective for annual periods beginning on or after 1 January 2027.
- **Amendments to IFRS 9 and IFRS 7 *Amendments to the Classification and Measurement of Financial Instruments*** (issued on 30 May 2024) – not endorsed by the EU as at the date of authorisation of these financial statements for issue; effective for annual periods beginning on or after 1 January 2026.

Effective dates are the dates given by the International Accounting Standards Board in the standards. The effective dates of the standards in the European Union may differ from those specified in the text of the standards and are announced on endorsement of a standard by the European Union. The Group will apply the amendments to the standards not earlier than the date determined by the European Union as the effective date of the standard.

As at the date of authorisation of these financial statements for issue, the Management Board of the Group did not expect the application of new standards and interpretations to have any material effect on the accounting policies applied by the Group.

### 3. Professional judgment of the Management Board

When preparing the consolidated financial statements, the Management Board of the Group has to make judgments, estimates and assumptions which affect the presented income, expenses,

assets, liabilities as well as related notes, and disclosures concerning contingent liabilities. Uncertainties associated with these assumptions and estimates have the potential to cause significant adjustments to the carrying amounts of assets and liabilities in subsequent periods.

When applying the accounting policies, the Management Board made the following judgements which most significantly affect the presented carrying amounts of assets and liabilities:

a) Revenue from contracts with customers

The Group determines the stage of completion of construction contracts by determining the proportion of costs incurred to date for a given project to the total estimated cost of that project.

Considering the inherent characteristics of the ongoing projects and the potential for unforeseen challenges during their execution, it is plausible that the actual total costs of the project may deviate from the estimates initially made. A revision in the estimated total cost of projects has the potential to impact the determination of the stage of completion and, consequently, the recognition of revenue as at the end of the reporting period.

b) Impairment of non-current assets

The Group reviewed indications of potential impairment of non-current assets. In the case of property, plant and equipment and intangible assets other than development work and goodwill, no indications of impairment were identified. Completed development work, work in progress and goodwill were tested for impairment. The tests required an estimation of the value in use of the cash-generating unit to which the assets were allocated. Estimating the value in use requires making an estimate of the expected future cash flows from the cash-generating unit and determining a suitable discount rate in order to calculate the present value of those cash flows. For descriptions of the impairment tests, please refer to Note 11 to these financial statements.

c) Deferred tax assets

The Group recognises a deferred tax asset if it assumes that taxable profit will be generated in the future against which the asset can be used. If taxable profit deteriorates in the future, this assumption may prove invalid.

The Group carefully evaluates the nature and extent of evidence supporting the conclusion that it is highly probable that sufficient future taxable profit will be available to allow the deduction of unused tax losses, unused tax credits or other deductible temporary differences.

When assessing whether it is highly probable that future taxable profit will be achieved (probability above 50%), the Group takes into account all available evidence, both that supporting existence of the probability and that supporting its absence.

d) Leases – the Group as a lessee

The Group determines the lease term as a non-cancellable lease term, including periods covered by an option to extend the lease, if such option exists and it is reasonably certain that the option will be exercised, as well as periods covered by an option to terminate the lease if it is reasonably certain that the option will not be exercised.

The Group is able to extend the lease term of certain lease contracts. The Group applies judgment to assess whether there is reasonable certainty that the extension option will be exercised, which means that it takes into account all material facts and circumstances that represent an economic incentive to extend the option or an economic penalty for its non-extension. After the commencement date, the Group reviews the lease term if a significant event or change in circumstances under its control occur which affect its ability to exercise (or not to exercise) the extension option.

e) Interests in joint ventures

The Group holds interests in the joint venture ELMECH-ASE Sp. z o.o. of Pruszcz Gdański. As at the reporting date, the Group measured its interest in the joint venture by conducting an analysis of the financial results of the jointly controlled entity. The analysis involved comparing the financial result achieved by the joint venture with the expenditure incurred to acquire the interest in the joint venture. As the jointly controlled entity prepares financial statements for a financial year that is different from the financial year of the Group, the data of the jointly controlled entity was restated accordingly to align the reporting periods and the accounting policies applied. The Group classified the acquisition as a joint venture after analysing indications of control over the entity.

#### 4. Uncertainty of estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that carry a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities in the next financial year are discussed below. The Group made the assumptions and estimates concerning the future based on its knowledge as at the time of preparation of these financial statements. The assumptions and estimates may change in the future due to market developments or factors beyond the Company's control. Such changes will be reflected in estimates and assumptions upon their occurrence.

a) Useful lives of non-current assets

The Group reviews the economic useful lives of depreciable non-current assets. The Management Board of the Group believes that as at 31 March 2024 the economic useful lives of assets assumed for depreciation purposes align with the expected periods of economic benefits for the respective assets. However, it is acknowledged that the actual periods of economic benefits may deviate from those assumptions.

b) Impairment of receivables

The Group uses a provision matrix to measure the allowance for expected credit losses in respect of trade receivables. In order to determine expected credit losses, trade receivables were grouped on the basis of similarity of credit risk characteristics. The Group uses historical credit loss data, adjusted where appropriate for the impact of forward-looking information.

c) Provisions for employee benefits

In terms of employee benefits, the Group is not party to any wage agreements or collective bargaining agreements. Employee benefits expense includes salaries and wages payable in accordance with the terms of employment contracts with individual employees, retirement benefits (retirement severance payments) paid to employees in accordance with applicable laws post employment, and costs related to contributions to Employee Capital Plans in the part borne by the employer. Short-term employee benefit obligations are measured on a general basis. Long-term benefit obligations are estimated using actuarial methods. The application of these methods necessitates the use of various assumptions, such as suitable discount rates and demographic factors.

Provisions for employee benefits (retirement severance payments) were estimated using actuarial methods. The underlying assumptions are presented in Note 22.

d) Fair value of financial instruments

The fair value of financial instruments without an active market is determined using appropriate measurement techniques. When selecting appropriate methods and assumptions, the Group exercises professional judgment.

e) Depreciation/amortisation rates

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

f) Lessee's incremental borrowing rate

The Group is not able to readily determine the interest rate for lease contracts. Therefore, when measuring a lease liability, the Group uses the lessee's incremental borrowing rate. It is the rate of interest that the Group would have to pay to borrow – over a similar term, in the same currency and with a similar security – funds necessary to obtain an asset of a similar value to the leased asset in a similar economic environment.

g) Uncertainty related to tax settlements

Regulations on value added tax, corporate income tax, and social security contributions are subject to frequent changes, with the effect being lack of appropriate points of reference, conflicting interpretations, and scarcity of established precedents which could be followed. Furthermore, the applicable tax laws lack clarity, which leads to differing opinions and diverse interpretations, both between various public authorities and between public authorities and businesses.

Tax settlements and other areas of activity (e.g., customs or foreign exchange control) may be subject to inspections by authorities that are entitled to impose high fines and penalties, and any additional tax liabilities resulting from such inspections must be paid with high interest. Consequently, the tax risk in Poland is higher than in countries with more mature tax systems.

The amounts presented and disclosed in financial statements may therefore change in the future as a result of a final decision by a tax inspection authority.

On 15 July 2016, the tax legislation was amended to reflect the provisions of the General Anti-Abuse Rule ("GAAR"). GAAR is intended to prevent creation and use of abusive arrangements to avoid paying taxes in Poland. GAAR defines tax evasion as measures taken primarily for the purpose of achieving a tax benefit which in the given circumstances is contrary to the object and purpose of tax laws. In accordance with GAAR, no tax advantage can be obtained through an arrangement which is abusive. Any arrangements involving (i) separation of transactions or operations without a sufficient rationale, (ii) engaging intermediaries where no business or economic rationale exists, (iii) any offsetting elements, and (iv) any arrangements operating in a similar way may be viewed as an indication of the existence of an abusive arrangement subject to GAAR. The new regulations will require much more judgment to be exercised when assessing the tax consequences of particular transactions.

GAAR should be applied with respect to arrangements made after its effective date as well as arrangements that were made before its effective date but the benefit of the tax advantage obtained through the arrangement continued or still continues after that date. The implementation of the above regulations will grant Polish tax inspection authorities the authority to challenge certain legal arrangements made by taxpayers, including the restructuring or reorganisation of corporate groups.

The Group discloses and measures current and deferred assets or liabilities in compliance with the requirements of IAS 12 *Income Taxes*, based on taxable income (tax loss), tax base, unused tax losses, unused tax credits and tax rates, with due consideration given to uncertainties related to tax settlements.

Whenever there is uncertainty as to whether and to what extent a tax authority would accept a tax settlement, the Group discloses such settlement taking into consideration the assessed uncertainty.

## 5. Material accounting policies

### Consolidation – subsidiaries

Subsidiaries are all entities (including special purpose vehicles) over which the Group has control and power to govern their financial and operating policies in order to obtain economic benefits from its operations. Such power is usually derived from the holding of the majority of voting rights in the entity's governing bodies. While assessing whether the Group controls a given entity, it takes into consideration the existence and effect of potential voting rights which may be exercised or converted at a given time. The ability to exercise control occurs when the parent:

- exercises power over the investee,
- is exposed to or has rights to variable returns from its exposure to the investee,
- has the ability to use its power over the investee to affect the amount of its returns.

The Group applies the acquisition method to account for acquisitions of subsidiaries. The cost of an acquisition is determined as the fair value of assets transferred, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the date of acquisition, regardless of the size of any non-controlling interest. Any excess of the acquisition cost over the fair value of the Group's interest in the identifiable net assets acquired is recognised as goodwill. Goodwill is not amortised, but is tested for impairment annually.

If the acquisition cost is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised directly through profit or loss.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Subsidiaries whose financial year-ends differ from that of the parent prepare, for the purposes of the consolidated financial statements, consolidation packages covering a period consistent with the parent's financial year.

Transactions, receivables and payables, and unrealised gains arising from intra-Group transactions are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

### Consolidation – jointly controlled entities

Jointly controlled entities are recognised in accordance with IFRS 11 and are classified as joint operations or joint ventures depending on the rights and obligations of the jointly controlling parties. A joint operation is a joint contractual arrangement in which the parties exercising joint control over the arrangement have rights to assets and obligations for liabilities associated with the arrangement. Those parties are referred to as joint operators. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets resulting from the arrangement. Those parties are referred to as joint venturers. A joint venture recognises its interest in a joint venture as an investment and accounts for this investment using the equity method in accordance with IAS 28.

### Intangible assets

Intangible assets which are separately acquired or produced are initially recognised at cost (if they meet the criteria for being recognised as development costs). Cost of intangible assets acquired in a business combination is equivalent to their fair value as at the date of the combination. Subsequent to initial recognition, intangible assets with finite useful lives are disclosed at cost less accumulated amortisation and impairment. With the exception of capitalised development expenditure, expenditure on self-

generated intangible assets is not capitalised and is charged to expenses in the period in which it was incurred.

The Group determines whether intangible assets have finite or indefinite useful lives. Intangible assets with finite useful lives are amortised over their useful lives and tested for impairment whenever there is an indication of impairment. The amortisation period and amortisation method for intangible assets with finite useful lives are reviewed at the end of each financial year or more frequently. Changes in the expected useful life or pattern of consumption of the future economic benefits embodied in an asset are disclosed by changing the amortisation period or amortisation method, as appropriate, and are accounted for as changes in accounting estimates. Amortisation charges on intangible assets with finite useful lives are recognised in profit or loss in the category that corresponds to the function of a given intangible asset.

Intangible assets with indefinite useful lives and those that are not in use are tested for impairment annually, either individually or at the cash-generating unit level.

The useful lives are reviewed on an annual basis and adjusted – if required – with effect as of the beginning of the next financial year.

#### Research and development expense

To assess whether an intangible asset created by the Group meets the criteria for recognition, the Group divides the process of asset creation into a research stage and a development stage.

Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Research costs are charged to profit or loss as incurred.

An intangible asset arising from development work is recognised by the Group when it can prove:

- a) the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- b) intention to complete the intangible asset and use or sell it;
- c) the ability to use or sell the intangible asset;
- d) how the intangible asset will generate probable future economic benefits;
- e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- f) the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Expenditure incurred on development work performed as part of a project is carried forward if it can be assumed that it will be recovered in the future. After initial recognition of development expenditure, the historical cost model is used, requiring that assets be recognised at cost less accumulated depreciation and accumulated impairment losses. Capitalised expenditure is amortised over the expected period when the benefits from the development project will be obtained.

Intangible assets are amortised at amortisation rates that reflect the expected useful lives of the assets. Other than goodwill, the Group has no intangible assets with indefinite useful lives. For amortisation of intangible assets with a finite useful life, the straight-line amortisation method is used. Useful lives for intangible assets are as follows:

Software licenses – from 2 to 10 years

Development work from 2 to 20 years

Gains or losses from derecognition of intangible assets are measured as the difference between net proceeds from the sale of a given asset and its carrying amount, and are recognised in profit or loss upon derecognition of the asset.

## Property, plant and equipment

Property, plant and equipment is carried at cost less depreciation and impairment. Property, plant and equipment are initially disclosed at cost plus any costs directly related to the purchase of the assets and to bringing them to appropriate condition for their intended use. The cost also includes the cost of replacing component parts of plant and equipment, which is recognised when incurred if relevant recognition criteria are fulfilled. Costs incurred after the date an asset is brought into use, such as maintenance and repair costs, are charged to profit or loss when incurred.

The cost of property, plant and equipment transferred by customers is determined at fair value as at the date of obtaining control of such assets.

Upon acquisition, items of property, plant and equipment are divided into components of material value to which separate useful economic lives can be assigned. The cost of overhauls is also deemed a component.

Assets are depreciated with the straight-line method over the estimated useful life, as detailed below:

Buildings and structures – from 10 to 45 years

Plant and equipment – from 3 to 10 years

Vehicles – from 4 to 7 years

Other property, plant and equipment – from 3 to 10 years

The residual value, useful life and method of depreciation of assets are reviewed periodically and adjusted if necessary from the beginning of the next financial year.

An item of property, plant and equipment may be derecognised upon disposal or when no future economic benefits are expected from its further use. Any gains or losses on derecognition of an asset (calculated as the difference between net proceeds from its sale, if any, and the carrying amount of the asset) are charged to profit or loss for the period when the item was derecognised.

Property, plant and equipment under construction include assets in the course of construction or assembly, and are measured at cost less any impairment losses. An item of property, plant and equipment under construction is not depreciated until the construction or assembly work is completed and the item is placed in use.

## Financial assets

### *Classification of financial assets*

Financial assets are classified into the following categories:

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

The Group classifies financial assets based on its business model of financial asset management and the assets' contractual cash flow characteristics (the SPPI test). The Group reclassifies investments in debt instruments when, and only when, their management model changes.

### *Measurement on initial recognition*

With the exception of certain trade receivables, on initial recognition financial assets are recognised at fair value, which – in the case of financial assets other than those at fair value through profit or loss – is increased by transaction costs directly attributable to their acquisition.

### *Derecognition*

Financial assets are derecognised when:

- the contractual rights to the cash flows from the financial asset expire, or
- upon transfer of contractual rights to cash flows from the asset following a transaction whereby the Group transferred substantially all risks and rewards incidental to holding the financial asset.

### *Measurement subsequent to initial recognition*

For the purpose of measurement subsequent to initial recognition, financial assets are classified into one of the following four categories:

- debt instruments measured at amortised cost,
- debt instruments measured at fair value through other comprehensive income,
- equity instruments measured at fair value through other comprehensive income,
- financial assets measured at fair value through profit or loss.

### *Debt instruments – financial assets measured at amortised cost*

A financial asset is carried at amortised cost if both of the following conditions are met:

- a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group classifies the following types of financial assets as measured at amortised:

- trade receivables,
- loans that meet the SPPI classification test and, in line with the business model, are recognised as held to collect cash flows,
- cash and cash equivalents.

Interest income is calculated using the effective interest method and disclosed in the statement of comprehensive income in the line item 'Finance income'.

### *Debt instruments – financial assets measured at fair value through other comprehensive income*

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

- a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Interest income as well as foreign exchange and impairment gains and losses are recognised in profit or loss and calculated in the same manner as financial assets measured at amortised cost. Other changes in fair value are recognised through other comprehensive income. When a financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

Interest income is calculated using the effective interest method and disclosed in the statement of comprehensive income in the line item 'Finance income'.

The Group has no debt instruments measured at fair value through other comprehensive income.

### *Equity instruments – financial assets measured at fair value through other comprehensive income*

On initial recognition, the Group may make an irrevocable election to recognise in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor is contingent consideration recognised by the acquirer in a business combination to which IFRS 3 applies. Such election is made separately for each such equity instrument. The cumulative gain or loss previously recognised in other comprehensive income is not reclassified to profit or loss. Dividends are recognised in the statement of comprehensive income when the entity's right to receive the dividend arises.

The Group does not hold equity instruments measured at fair value through other comprehensive income.

*Financial assets measured at fair value through profit or loss.*

Financial assets which are not measured at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss.

The Group classifies derivative financial instruments that have not been irrevocably designated for fair value through other comprehensive income as financial assets measured at fair value through profit or loss.

Gain or loss on measurement of those assets at fair value is recognised in profit or loss.

### **Impairment of financial assets**

The Group assesses expected credit losses ("ECL") associated with debt instruments measured at amortised cost and fair value through other comprehensive income, regardless of whether there is any indication of impairment.

For trade receivables, the Group uses a simplified approach and measures the allowance for expected credit losses at an amount equal to expected lifetime credit losses using a provision matrix. The Group uses its historical credit loss data, adjusted where appropriate for the impact of forward-looking information.

For other financial assets, the Group measures the allowance for expected credit losses in an amount equal to 12-month expected credit losses. The Group measures the allowance for expected credit losses on a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk of that financial instrument has increased significantly since its initial recognition.

The Group estimates that the credit risk associated with a financial instrument has increased significantly since its initial recognition if the time past due is more than 30 days.

The Group considers the debtor to have defaulted if days past due exceed 180 days and the debt is not insured.

### **Measurement at fair value**

The Group measures financial instruments at fair value at the end of each reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. A fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in most advantageous market for the asset or liability.

The Group must have access to the principal (or most advantageous) market at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities that are measured at fair value or whose fair value is disclosed in the financial statements are classified in the fair value hierarchy as described below based on the lowest level input that is significant to the fair value measurement as a whole:

- level 1: inputs for the asset or liability are quoted (unadjusted) market prices on an active market for identical assets or liabilities;
- level 2: inputs for the asset or liability that are based on directly or indirectly observable market data;
- level 3: inputs for the asset or liability that are not based on observable market data.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines at the end of each reporting period whether, due to a reassessment, a change has occurred in the level classification of the hierarchy (based on the input of the lowest level that is significant for the whole valuation).

#### *Summary of material accounting policies concerning fair value measurement*

The Management Board establishes the rules and procedures for systematic fair value measurement of such assets as derivative financial instruments or unlisted financial assets, as well as non-recurring measurements such as assets held for sale in discontinued operations.

For the purposes of the disclosure of the results of measurement at fair value the Group has established classes of assets and liabilities based on the nature, characteristics and risks of the various components of assets and liabilities and the level in the fair value hierarchy as described above.

### **Inventories**

Inventories are measured at the lower of cost and net realisable value.

The cost of each inventory item includes all purchase costs, processing costs and other costs incurred in bringing the inventory to its current location and condition – both for the current and previous year - and is determined as follows:

- |                                     |   |
|-------------------------------------|---|
| Materials                           | • at purchase price determined on a first-in-first-out basis  |
| Finished goods and work in progress | • at direct costs of raw materials, consumables and labour and an appropriate indirect cost overhead determined assuming normal production capacity utilisation, net of borrowing costs |

Net realisable value is the estimated sale price in the ordinary course of business, less estimated costs of completion and costs to sell.

Inventory write-downs resulting from prudent valuation and write-downs for slow-moving inventories, as well as their reversals, are charged to cost of sales.

## **Trade and other receivables**

Trade receivables are recognised and carried at amounts initially invoiced, less allowances for lifetime expected credit losses.

Where the effect of the time value of money is material, the value of receivables is determined by discounting projected future cash flows to their present value using a discount rate reflecting the current market assessments of the time value of money. Where discounting is applied, an increase in receivables as a result of the passage of time is recognised as finance income.

Other receivables include in particular prepayments made for future purchases of intangible assets and inventories. Prepayments are presented according to the type of assets to which they refer: as non-current or current assets, respectively. As non-monetary assets, prepayments are not discounted.

Receivables from the state budget are presented under other non-financial assets, except for corporate income tax receivable, which is presented as a separate item in the statement of financial position.

## **Cash and cash equivalents**

Cash and short-term bank deposits disclosed in the statement of financial position comprise cash at banks as well as short-term deposits with original maturities of up to three months.

Cash and cash equivalents presented in the statement of cash flows include the items specified above.

## **Bank borrowings**

Bank borrowings are measured at amortised cost. Current-account overdrafts are the exception, as there are no fixed repayment schedules for them. For this type of borrowing, origination costs and other fees are expensed as finance costs in the period they are incurred. In other cases, finance costs, including fees payable on repayment or redemption and direct costs of borrowing, are recognised in the statement of comprehensive income using the effective interest rate method and adjusting the carrying amount of the instrument for repayments made in the current period.

## **Trade and other payables**

Short-term trade payables are stated at amounts payable.

Following initial recognition, financial liabilities are measured at amortised cost using the effective interest rate method, except for financial liabilities designated as measured at fair value through profit or loss.

As at 31 March 2024 and 31 March 2023, no financial liabilities were classified as measured at fair value through profit or loss. Financial liabilities at fair value through profit or loss are measured at fair value, based on their market value as at the reporting date, net of costs to sell. Changes in the fair value of financial liabilities that are measured at fair value through profit or loss are recognised in profit or loss, except for changes in the fair value that are caused by changes in the entity's own credit risk, which are recognised in other comprehensive income.

The Group derecognises a financial liability when it is extinguished, that is when the obligation specified in the contract is either discharged or cancelled or expires.

Other non-financial liabilities include, in particular, tax liabilities in respect of value added tax, social security and health insurance contributions, personal income tax, and liabilities in respect of advance payments received, which will be settled through the supply of goods, services, or fixed assets. Other non-financial liabilities are measured at nominal amounts due.

## Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) resulting from past events, and when it is probable that the discharge of this obligation will cause an outflow of funds representing economic benefits, and the amount of the obligation may be reliably estimated. If the Company anticipates that the costs for which provisions have been made will be recovered, e.g. under an insurance agreement, any such recovery is recognised as a separate item of assets, but only when it is practically certain to occur. Costs related to a given provision are disclosed in the statement of comprehensive income net of all reimbursements.

Where the effect of the time value of money is material, the amount of the provision is determined by discounting the projected future cash flows to present value using a discount rate that reflects current market assessments of the time value of money and the risks, if any, associated with the liability. Where discounting is applied, any increase in the provision due to the passage of time is recognised as finance costs.

## Employee benefits

Old-age and disability retirement severance payments are one-off and paid upon retirement. The amount of retirement benefits depends on the employee's years of service and average remuneration. The Group recognises a provision for future retirement benefit obligations in order to allocate the related costs to the relevant periods. According to IAS 19, retirement gratuity benefits are defined post-employment benefit plans. The present value of these obligations at each reporting date is calculated by an independent actuary. The calculated value of the obligations is equal to the present value of discounted future payments, taking into account employee turnover, and relates to the period ending on the reporting date. Information on demographics and employee turnover is sourced from historical data.

The revaluation of employee benefit obligations under defined benefit plans, which includes actuarial gains and losses, is recognised in other comprehensive income and is not subsequently reclassified to profit or loss.

The Group recognises the following changes in net defined benefit obligations within cost of sales, administrative expenses and distribution costs, which consist of:

- service costs (including, but not limited to, current service costs, past service costs),
- net interest on net defined benefit obligations.

The Group incurs costs related to the operation of the Employee Capital Plans ("PPK") by making contributions to investment funds. They are post-employment benefits in the form of a defined contribution plan. Costs of PPK contributions are recognised in the same cost item as the cost of salaries and wages on which they are paid. PPK obligations are presented as other non-financial liabilities.

## Grants

A government grant is recognised at fair value if there is reasonable assurance that the Company will comply with the conditions attached to it, and that the grant will be received.

If a grant relates to a cost item, it is recognised as income in matching with the expenses it is to compensate for. Where a grant relates to an asset, its fair value is recognised as deferred income and is then gradually released to profit or loss over the expected useful life of the asset in equal annual instalments.

## Foreign currency transactions

Transactions in currencies other than the Polish zloty are accounted for as at the transaction date using the following exchange rates:

- buy or sell exchange rates applied by the Group's bank are used in the case of transactions to buy or sell currencies and transactions to pay receivables or payables;
- mid-rates quoted for a given currency by the National Bank of Poland for that date.

Monetary assets and liabilities denominated in foreign currencies are accounted for as at the reporting date at the exchange rate quoted for the currency by the National Bank of Poland for that date. Exchange differences arising from the settlement of transactions denominated in foreign currencies, as well as those arising from the valuation as at the reporting date of items of assets and liabilities denominated in foreign currencies that relate to the Group's principal business, are recognised as finance costs or income.

The average exchange rates used to account for foreign currency items held by the Group as at the reporting date and the average annual rates (determined as the arithmetic average for a given currency of all rates published by the National Bank of Poland during the reporting period) during the periods covered by these financial statements were as follows:

Exchange rate	31 Mar 2024	1 Apr 2023 – 31 Mar 2024	31 Mar 2023	1 Apr 2022 – 31 Mar 2023
Euro (EUR)	4.3009	4.4478	4.6755	4.7086
Czech koruna (CZK)	0.1700	0.1830	0.1987	0.1934
Ukrainian hryvnia (UAH)	0.1023	0.1105	0.1258	0.1322
Romanian leu (RON)	0.8655	0.8967	0.9445	0.9561
Russian rouble (RUB)	0.0430	0.0459	0.0561	0.0697
Hungarian forint (HUF 100)	1.0922	1.1653	1.2278	1.1864
Pound sterling (GBP)	5.0300	5.1538	5.3107	5.4490

## Leases – the Group as a lessee

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a uniform approach to the recognition and measurement of all leases. At the commencement date of a lease, the Group recognises a right-of-use asset and a lease liability.

### *Right-of-use assets*

The Group recognises right-of-use assets at the lease commencement date (i.e. the date when the underlying asset is made available for use). Right-of-use assets are measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, the initial direct costs incurred and any lease payments made at or before the commencement date, less any lease incentives received. Unless the Company believes there is reasonable certainty it will acquire ownership of the leased assets after a relevant lease expires, the recognised right-of-use assets are depreciated using the straight-line method over the shorter of the estimated useful life and lease term. Right-of-use assets are tested for impairment.

### *Lease liabilities*

At the lease commencement date, the Group measures lease liabilities at the present value of lease payments then outstanding. Lease payments include fixed payments (including in-substance fixed lease payments) less any lease incentives due, variable lease payments that depend on an index or a rate, and amounts expected to be payable under residual value guarantees. Lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease if the lease terms grant a termination option to the Group. Variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition triggering the payment occurs.

When calculating the present value of lease payments, the Group uses the lessee's incremental borrowing rate on the lease commencement date if the interest rate implicit in the lease cannot be readily determined. After the commencement date, the amount of lease liabilities is increased to reflect the interest, and reduced by lease payments made. Furthermore, the carrying amount of lease liabilities is remeasured if the lease term, in-substance fixed lease payments or judgement as to purchase of the underlying assets change.

### *Short-term leases and leases of low-value assets*

The Group applies the exemption from short-term lease recognition to its short-term leases (i.e. leases with a term of 12 months or less from inception, with no purchase option). Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

### **Impairment of non-financial non-current assets**

An assessment is made at the reporting date to determine whether there is any indication that any of non-financial long-term assets, including usufruct rights, may be impaired. If such indication exists, or in case an annual impairment testing is required, the Company makes an estimate of the recoverable amount of that asset or the asset's cash-generating unit.

The recoverable amount of an asset or a cash-generating unit is the fair value less costs to sell the asset or cash generating unit respectively, or its usable value, whichever is greater. The recoverable amount is determined for individual assets, unless a given asset does not generate separate cash flows largely independent from those generated by other assets or asset groups. If the carrying amount of an asset is higher than its recoverable amount, the value of the asset is impaired and an impairment loss is recognised up to the established recoverable amount. In assessing value in use, the projected cash flows are discounted to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the expense categories consistent with the function of the impaired asset.

The Group assesses at the reporting date whether there is an indication that previously recognised impairment losses on a given asset no longer exist or should be reduced. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. In such a case, the carrying amount of the asset is increased up to its recoverable amount. The increased value may not exceed the carrying amount of the asset that would have been determined (after accumulated amortisation/depreciation) if no impairment losses had been recognised on that asset in the previous years. Reversal of an impairment loss is immediately recognised as income. Following reversal of an impairment loss, in the subsequent periods the amortisation/depreciation charge related to a given asset is adjusted so that its revised carrying amount, less residual value, can be regularly written off over the remaining useful life of the asset.

## Revenue from contracts with customers

The Group applies IFRS 15 *Revenue from Contracts with Customers* to all contracts with customers except financial instruments and other contractual rights or obligations within the scope of IFRS 9 *Financial Instruments*, IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IAS 27 *Separate Financial Statements*, and IAS 28 *Investments in Associates and Joint Ventures*.

The fundamental principle of IFRS 15 is to recognise revenue when goods and services are transferred to the customer, at a value that reflects the price expected by the entity to be received in exchange for the transfer of the goods and services. The principle is applied using a five-step model:

- identifying the contract with the customer,
- identifying performance obligations under the contract,
- determining the transaction price,
- allocating the transaction price to the performance obligations,
- recognising revenue when a performance obligation is satisfied.

### *Identifying the contract*

The Group accounts for a contract with a customer only when all of the following criteria are met:

- the parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations;
- the Group can identify each party's rights regarding the goods or services to be transferred;
- the Group can identify the payment terms for the goods or services to be transferred;
- the contract has commercial substance (i.e. the risk, timing or amount of the Group's future cash flows is expected to change as a result of the contract); and
- it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

When assessing whether the consideration is likely to be collected, the Group takes into account only the customer's ability and intention to pay that consideration when due. The consideration to which the Group will be entitled may be lower than the price specified in the contract if the consideration is variable as the Group may offer a price concession to the customer.

### *Identifying performance obligations*

At contract inception, the Group assesses the goods or services promised in the contract with the customer and identifies as a performance obligation each promise to transfer to the customer either a good or service (or bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A good or service is distinct if both of the following criteria are met:

- the customer can benefit from the good or services on its own or in conjunction with other readily available resources; and
- the Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

### *Determining the transaction price*

When making this determination, the Group considers the contract terms and its customary business practices. The transaction price is the amount of consideration to which the Company expects to be

entitled in exchange for the transfer of promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, some sales taxes). The consideration promised in a contract with a customer may include fixed amounts, variable amounts, or both.

#### *Variable remuneration*

If the consideration defined in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to the customer. The Group estimates an amount of variable consideration by using either of the following methods, depending on which method the Group expects to better predict the amount of consideration to which it is entitled:

- the expected value method, determined as the sum of probability weighted amounts in a range of possible consideration amounts. This may be an appropriate approach if the Group has a large number of contracts with similar characteristics;
- the most likely amount method, with the single most likely amount in a range of possible consideration amounts from the contract. This may be an appropriate approach if the contract has only two possible outcomes, such as a performance bonus which will or will not be received by Company.

The Group includes in the transaction price some or all of the variable consideration only to the extent that it is highly probable that there will not be a significant reversal of cumulative revenue after the uncertainty associated with the variable consideration is gradually resolved.

#### *Allocating the transaction price to performance obligations*

The Group allocates the transaction price to each performance obligation (or to a distinct good or service) in an amount that reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

#### *Satisfying performance obligations*

The Group recognises revenue when (or as) the Group satisfies a performance obligation by transferring a promised good or service to the customer.

#### *Principal versus agent considerations*

When another entity is involved in providing goods or services to a customer, the Group evaluates the nature of its promise to the customer, whether the nature of the Group's performance obligation is to provide the specified goods or services to the customer itself (in this case the Group is the principal) or to arrange for them to be provided by another entity (in this case the Group entity is an agent).

The Group acts as the principal if it controls the promised good or service before transferring it to the customer. However, the entity is not acting as the principal if it obtains legal title to a specified good only momentarily before the legal title is transferred to the customer. A principal may satisfy its performance obligation to provide the specified good or service itself or it may engage another party (e.g. a subcontractor) to satisfy some or all of the performance obligations on its behalf. In such circumstances, the Company recognises revenue in the gross amount to which it expects to be entitled in exchange for the specified goods or services transferred.

The Group acts as the agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In such a case, the Group recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

### *Variable remuneration*

Some contracts with customers contain elements of variable consideration arising as a result of discounts, rebates or penalties.

If the consideration defined in a contract includes a variable amount, the entity estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to the customer and includes in the transaction price all or part of the variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group estimates the amount of variable remuneration using the expected value method.

### *Significant financing component*

In the case of contracts with customers where the time period between the transfer of the promised goods or services and payment by the customer is expected to be more than 12 months, the Group recognises a significant financing component due to the time value of money. In order to determine the transaction price, the Group adjusts the promised amount of consideration for a significant financing component using the discount rate that would be reflected in a separate financing transaction between the entity and the customer at contract inception.

### *Warranty*

The Group provides warranty for sold products, ensuring that the products conform to the specifications agreed upon by the parties. The Group recognises such warranties in accordance with IAS 37.

Some non-standard contracts with customers contain extended warranty. An extended warranty is a separate service and is recognised as a performance obligation to which part of the transaction price is allocated.

### *Capitalised costs to obtain a contract*

The Group recognises incremental costs of obtaining a contract with a customer as an asset if the costs are expected to be recovered. Incremental costs of obtaining a contract are those costs incurred by an entity to obtain a contract with a customer which the entity would not have incurred if the contract had not been concluded. Incremental costs of obtaining a contract include mainly design and architectural services. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognised as an expense when incurred, unless the costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

### *Contract assets*

As contract assets, the Group recognises the right to consideration in exchange for goods or services transferred to a customer when that right is conditioned on something other than the passage of time (for example, the Group's future performance). The Group assesses whether a contract asset is impaired using the same impairment testing methodology as for a financial asset under IFRS 9.

### *Receivables*

Under receivables, the Group recognises the right to consideration in exchange for goods or services transferred to a customer if the right is unconditional (only the passage of time is required before payment of that consideration is due.). The Group recognises receivables in accordance with IFRS 9. On initial recognition of a contract receivable, any difference between the measurement of the receivable in accordance with IFRS 9 and the corresponding amount of revenue previously recognised are recognised as an expense (impairment loss on trade receivables and other financial assets).

### *Contract liabilities*

Under contract liabilities, the Group recognises such consideration received or receivable from a customer which relates to the obligation to transfer goods or services to the customer.

### *Right-of-return assets*

Under right-of-return assets, the Group recognises the right to recover products from customers on settling the refund liability.

### *Refund liabilities*

The Group recognises a refund liability if, having received consideration from a customer, the Group expects to refund a part or all of that consideration to the customer. A refund liability is measured as the amount of consideration received (or receivable) to which the Group does not expect to be entitled (i.e. amounts not included in the transaction price). The refund liability is remeasured at the end of each reporting period for changes in circumstances. This includes a corresponding change in the transaction price and the related change in the contract liability.

The Group generates revenue through several revenue streams. These are mainly:

- supply of products without assembly services – revenue generally recognised at the date of transfer of goods to the customer,
- supply of products and provision of assembly services – revenue recognised over time,
- supply of materials – revenue generally recognised at the date of transfer of goods to the customer,
- maintenance services – revenue recognised over time.

Revenue from the supply of products without assembly and the supply of materials is recognised on the date of transfer of control of the goods to the customer, as determined by the commercial terms and conditions of the contract, in accordance with the INCOTERMS International Trade Rules.

For the supply of products with assembly services, and for the provision of maintenance services revenue is recognised over time using a cost-to-cost method. The cost-to-cost method compares the costs incurred in the provision of a given service to its budgeted costs and the progress of work thus determined.

### **Borrowing costs**

Borrowing costs are capitalised as part of the cost of property, plant and equipment. Borrowing costs comprise interest calculated using the effective interest method, finance charges in respect of finance leases, and foreign exchange differences related to borrowings, up to the amount of the interest expense adjustment.

## Taxation

Current income tax liabilities and assets for the current period and for previous periods are measured at the amount expected to be paid to (or recovered from) tax authorities, using the tax rates and laws that were enacted or substantively enacted as at the reporting date.

For financial reporting purposes, the Company recognises deferred tax assets and deferred tax liabilities on all temporary differences existing at the reporting date between the carrying amounts of assets and liabilities and their tax bases.

A deferred tax liability is recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or tax loss, and
- in the case of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised for all deductible temporary differences, as well as unused tax credits and unused tax losses carried forward to subsequent years, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised,

- except where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or tax loss, and
- in the case of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of a deferred tax asset is reviewed at each reporting date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. An unrecognised deferred tax asset is revalued at each reporting date and is recognised to the extent that it is probable that future taxable profits will be available to recover the asset.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or whose future effect is certain as at the reporting date.

Deferred income tax relating to items recognised outside profit or loss is recognised outside profit or loss: as part of other comprehensive income for items recognised in other comprehensive income or directly in equity for items recognised directly in equity.

The Group offsets deferred tax assets against deferred tax liabilities only if it has a legally enforceable right to set off current income tax assets against current income tax liabilities and the deferred income tax is attributable to the same taxable entity and the same taxation authority.

If, in the opinion of the Group, it is probable that the Group's approach to a tax issue or group of tax issues will be accepted by a tax authority, the Group determines the taxable income (tax loss), tax base, unused tax losses, unused tax credits and tax rates taking into account the approach to taxation planned or applied in its tax return. In assessing this probability, the Group assumes that the tax authorities with

the power to audit and challenge the tax treatment will conduct such an audit and will have access to all information.

If the Group determines that it is not probable that the tax authority will accept the Group's treatment of a tax issue or group of tax issues, the Group reflects the effect of the uncertainty in the accounting treatment of the tax in the period in which it determines it. The Group recognises an income tax liability using one of the following two methods, whichever better reflects the way in which the uncertainty is likely to materialise:

- the Group determines the most likely scenario – this is a single amount from among possible outcomes, or
- The Group recognises the expected amount – the sum of probability-weighted amounts from a range of possible outcomes.

### **Operating segments**

The Group's entire operations are presented as a single operating segment. This is due to the similarities in economic characteristics, products and services, production processes, customer groups, distribution methods, and regulatory environments. Management reporting is also conducted for all product groups in aggregate.

## NOTE 3 – REVENUE

	<u>1 Apr 2023 – 31 Mar 2024</u>	<u>1 Apr 2022 – 31 Mar 2023</u>
	PLN thousand	PLN thousand
Revenue from sale of products	520,712	562,853
- including revenue recognised over time	219,613	242,776
Revenue from sale of merchandise and materials	66,689	65,505
<b>Total revenue</b>	<b><u>587,401</u></b>	<b><u>628,358</u></b>
including:		
– from sales to related entities	<u>167</u>	<u>89</u>

### Main products

The Group's business consists in the production, sale, construction and assembly, as well as maintenance of passive fire protection systems. The products offered during the reporting period fall into four product groups:

- fire separations,
- smoke exhaust and rooflight systems,
- fire ventilation systems,
- fire protections of building structures.

The Group has a fragmented customer base. Sales to any one customer do not exceed 10% of the Group's turnover.

Revenue by geographical markets:

	<u>1 Apr 2023 – 31 Mar 2024</u>	<u>1 Apr 2022 – 31 Mar 2023</u>
	PLN thousand	PLN thousand
Poland	302,935	315,537
Czech Republic and Slovakia	38,162	39,742
Spain	48,627	48,801
Russia	46,157	62,073
Ukraine	4,656	8,090
Romania	14,799	8,812
Hungary	45,431	47,735
UK	11,755	8,311
Other	74,879	89,257
<b>Total revenue</b>	<b><u>587,401</u></b>	<b><u>628,358</u></b>

	<u>End of period</u> <u>31 Mar 2024</u>	<u>End of period</u> <u>31 Mar 2023</u>
	PLN thousand	PLN thousand
Short-term contract assets	29,056	27,913
Short-term contract liabilities	3,688	2,240

Contract assets and liabilities arise from differences in the measurement of revenue recognised over time and the amounts invoiced to customers.

## NOTE 4 – OPERATING EXPENSES

	<u>1 Apr 2023 –</u> <u>31 Mar 2024</u>	<u>1 Apr 2022 –</u> <u>31 Mar 2023</u>
	PLN thousand	PLN thousand
Cost of sales	434,325	472,164
Distribution costs	54,790	51,650
Administrative expenses	40,046	36,921
<b>Total operating expenses</b>	<b>529,161</b>	<b>560,735</b>
including:		
Depreciation and amortisation	19,223	18,873
Raw materials and consumables used	249,819	279,262
– including change in products	(6,861)	(2,431)
Services	96,233	107,167
Salaries and wages	81,558	78,759
Employee benefits	17,837	15,626
Taxes and charges	6,443	6,764
Other	6,883	6,784
Cost of merchandise and materials sold	51,165	47,500
	<b>529,161</b>	<b>560,735</b>

### Personnel expenses

#### *Salaries and wages*

Salaries and wages comprise remuneration payable in accordance with the terms of employment contracts with individual employees.

#### *Employee benefits*

Social security costs for entities located in Poland include pension, disability, and accident insurance benefits, as well as contributions to the Guaranteed Employee Benefits Fund and the Labour Fund. Based on the current regulations, the social security costs for the period from 1 April 2023 to 31 March 2024 and for the preceding year amounted to 20.01% of maximum taxable earnings.

Entities located in the Czech Republic are required to contribute 34% of their maximum taxable earnings, while entities located in Slovakia pay 35.2% of their maximum taxable earnings. Social security contributions in Spain are 23.6% of the taxable earnings. In Hungary, such contributions represent 28.5% of the taxable earnings, in Russia 30.41%, and in Romania 22.75%.

Pension benefits expense includes retirement severance payments paid to employees in accordance with applicable labour regulations in individual jurisdictions. At the Group companies operating in Poland, retirement severance payments are provided for in the labour law. These companies incur costs related to the operation of the Employee Capital Plans ("PPK") by making contributions to an investment fund. They are post-employment benefits in the form of a defined contribution plan. The Group recognises costs of payments to PPK as employee benefit expense. PPK liabilities are presented as part of other liabilities.

In Spain, the Czech Republic, and Slovakia, there is no obligation to pay retirement severance packages.

Some of the Group's companies located in Poland are required to create a Company Social Benefits Fund (ZFŚS). Contributions to the fund are expensed and are ring-fenced in the fund's separate bank account. In these financial statements, the fund's assets and liabilities are disclosed at net amounts.

Other employee benefits include health benefits, training, and other benefits prescribed by labour laws.

### Development costs

	<u>1 Apr 2023 – 31 Mar 2024</u>	<u>1 Apr 2022 – 31 Mar 2023</u>
	PLN thousand	PLN thousand
Expensed development costs	1,755	1,272
Amortisation of capitalised development costs	<u>4,618</u>	<u>5,154</u>
	<u><b>6,373</b></u>	<u><b>6,426</b></u>

Development costs are recognised as an intangible asset only when the conditions for recognition are met and in accordance with the policies described in Note 2. Amortisation of capitalised development costs is charged to cost of sales, while research costs and expenditures that do not meet the criteria for capitalisation are presented in distribution costs.

## NOTE 5 – OTHER INCOME

	<u>For period</u> <u>1 Apr 2023 –</u> <u>31 Mar 2024</u>	<u>For period</u> <u>1 Apr 2022 –</u> <u>31 Mar 2023</u>
	PLN thousand	PLN thousand
Gain on disposal of property, plant and equipment	845	1,153
Reimbursement of court costs	147	78
Compensation and penalties received	18	534
Recoveries previously written off as uncollectible	67	17
Past due liabilities written off	-	13
Liabilities cancelled	-	-
Grants for development projects	413	597
Other	634	584
	<b><u>2,124</u></b>	<b><u>2,976</u></b>

## NOTE 6 – OTHER EXPENSES

	<u>For period</u> <u>1 Apr 2023 –</u> <u>31 Mar 2024</u>	<u>For period</u> <u>1 Apr 2022 –</u> <u>31 Mar 2023</u>
	PLN thousand	PLN thousand
Loss on disposal of property, plant and equipment	32	-
Penalties, fines and damages	112	31
Litigation costs	142	156
Development expense written off	384	-
Impairment losses on property, plant and equipment under construction	764	-
Provision for warranty repairs	171	-
Other	1,870	1,903
	<b><u>3,475</u></b>	<b><u>2,090</u></b>

## NOTA 7 - FINANCE INCOME

	<u>1 Apr 2023 –</u> <u>31 Mar 2024</u>	<u>1 Apr 2022 –</u> <u>31 Mar 2023</u>
	PLN thousand	PLN thousand
Interest on bank deposits	175	515
Interest on tax receivables	5,138	-
Interest on loans	286	281
Interest on late payments	73	85
Interest on security deposits	448	-
Net foreign exchange gains	4,111	1,371
Other	116	549
	<b><u>10,347</u></b>	<b><u>2,801</u></b>

## NOTE 8 – FINANCE COSTS

	<u>1 Apr 2023 –</u> <u>31 Mar 2024</u>	<u>1 Apr 2022 –</u> <u>31 Mar 2023</u>
	PLN thousand	PLN thousand
Interest on borrowings	4,908	5,681
Interest on late payments	30	49
Interest on leases	1,153	2,070
Net foreign exchange losses	632	295
Commission fees on bank borrowings and guarantees	667	534
Other	68	583
	<b><u>7,458</u></b>	<b><u>9,212</u></b>

## NOTE 9 – INCOME TAX

Current income tax expense is calculated in accordance with the applicable tax regulations. Pursuant to the regulations, taxable profit (tax loss) differs from accounting profit (loss) in that it does not include non-taxable income and non-deductible expenses, or income or expense items that will never be taxable or deductible.

Tax expense is calculated based on the tax rates in effect for the financial year in individual jurisdictions. In Poland, the income tax rates applicable since 2004 are 19% of the tax base, and 9% of the tax base for qualifying small businesses.

Entities located outside Poland pay income tax at the rates applicable in the respective country. The rates in effect for the financial year from 1 April 2023 to 31 March 2024 and the previous year were as follows:

- in the Czech Republic – 19%
- in Slovakia – 22%
- in Ukraine – 18%
- in Romania – 16%
- in Spain – 25%
- in the Russian Federation – 20%

- in Belarus – 18%
- in Hungary – 10%
- in the UK – 19%.

The Group is subject to general income tax laws. The Group is not part of a tax group, nor does it operate in a Special Economic Zone. None of the Group companies benefit from income tax exemptions or other forms of public aid that would result in the application of tax base calculation rules different from the general regulations.

The main components of the income tax expense were as follows:

	<u>1 Apr 2023 – 31 Mar 2024</u>	<u>1 Apr 2022 – 31 Mar 2023</u>
	PLN thousand	PLN thousand
Statutory tax rate of the parent	19%	19%
	PLN thousand	PLN thousand
<b><i>Current income tax</i></b>		
Current income tax expense	11,918	12,765
Withholding tax on corporate profit distribution income	9	38
Prior-year adjustments	(5,376)	-
	<b>6,551</b>	<b>12,803</b>
<b><i>Deferred income tax</i></b>		
Related to recognition and reversal of temporary differences	71	418
	<b>71</b>	<b>418</b>
Tax expense disclosed in statement of comprehensive income	<b>6,622</b>	<b>13,221</b>

The differences between the nominal and effective tax rates were as follows:

Profit (loss) before tax	59,390	60,439
Effective tax rate	11.15%	21.87%
<b>Income tax at effective tax rate</b>	<b>6,622</b>	<b>13,221</b>
Income tax at 19%	11,284	11,483
Tax effect of tax-exempt income	(1,265)	(66)
Tax effect of non-deductible expenses or non-taxable income	2,414	2,507
Tax effect related to tax losses incurred	(5,376)	(626)
Effect of applying different tax rates	(435)	(77)
<b>Income tax at effective tax rate</b>	<b>6,622</b>	<b>13,221</b>

Deferred tax is recognised for temporary differences between tax base and profit (loss) disclosed in the financial statements. As at 31 March 2024 and 31 March 2023, deferred income tax arose from the items presented in the table below.

	Statement of financial position		Statement of comprehensive income	
	End of period	End of period	1 Apr 2023 –	1 Apr 2022 –
	31 Mar 2024	31 Mar 2023	31 Mar 2024	31 Mar 2023
	PLN thousand	PLN thousand	PLN thousand	PLN thousand
<b>Deferred tax liabilities</b>				
Differences between tax base and carrying amounts of property, plant and equipment and intangible assets	2,329	2,837	508	(540)
Effects of measurement of contracts with customers	2,421	2,541	120	(460)
Unrealised exchange differences and measurement of forward contracts	7	1	(6)	(1)
Accrued interest	238	130	(108)	(115)
<b>Deferred tax liabilities</b>	<b>4,995</b>	<b>5,509</b>	514	(1,116)
<b>Deferred tax assets</b>				
Effects of measurement of contracts with customers	930	941	(11)	(439)
Differences between tax base and carrying amounts of property, plant and equipment and intangible assets	(11)	23	(34)	(45)
Provisions for employee expenses and employee benefit obligations	3,402	4,169	(767)	1,186
Impairment losses on receivables	1,083	1,242	(159)	(179)
Write-downs of inventories	2,852	2,103	749	1,251
Unrealised exchange differences and measurement of forward contracts	45	9	36	(21)
Deferred income	-	-	-	(219)
Accrued interest	205	183	22	81
Tax loss asset	563	1,234	(421)	(917)
<b>Deferred tax assets</b>	<b>9,069</b>	<b>9,904</b>	(585)	698
<b>including:</b>				
<b>deferred tax assets</b>	<b>4,170</b>	<b>4,446</b>		
<b>deferred tax liabilities</b>	<b>96</b>	<b>51</b>		
<b>Deferred tax expense</b>			<b>(71)</b>	<b>(418)</b>
<b>Amounts recognised in equity</b>			-	-

Deferred tax was recognised in the periods presented for all temporary differences between the profit or loss for accounting purposes and the tax base, except for deferred tax assets arising from the difference between the carrying amounts and the tax base of goodwill.

An analysis of the recoverability of the deferred tax asset arising from recognised tax losses did not reveal any indications of impairment of that asset. Assets recognised by the Spanish company Tecresa in the amount of PLN 563 thousand, relating to tax losses incurred in the 2013/2014 and 2014/2015 financial years, are deductible from taxable income up to and including 2024.

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**Tax audit for the financial year 1 April 2012–31 March 2013**

After the Company appealed against decisions of the Director of the Tax Administration Chamber of Gdańsk, they were repealed under judgments of the Provincial Administrative Court in Gdańsk of 28 February 2023. In accordance with decisions issued by the Director of the Tax Administration Chamber of Gdańsk on 30 August 2023, the appeals filed in May 2021 were considered and decisions issued by the first instance authority were repealed in full. The decisions are final. In September 2023, the parent received a refund of overpaid CIT and interest on advance CIT payments, along with accrued interest. As a result, the related contingent asset disclosed in the annual report for the year ended 31 March 2023 was realised.

## NOTE 10 – EARNINGS PER SHARE AND DIVIDENDS

### Earnings per share

	<u>1 Apr 2023 –</u> <u>31 Mar 2024</u>	<u>1 Apr 2022 –</u> <u>31 Mar 2023</u>
Number of shares (net of treasury shares)	15,444,769	15,544,103
Net profit (PLN thousand)	49,310	41,695
Earnings per share (PLN)	3.19	2.68

### Dividends paid and declared

During the financial year, the parent paid dividend from profit for 2022/2023.

Dividend payment date	Dividend amount (PLN thousand)	Dividend per share (PLN)
20 Sep 2023	23,424	1.51

TOB Mercor Ukraina, a subsidiary, distributed dividends of PLN 542 thousand to non-controlling interests.

In accordance with the adopted strategy, the Management Board of the parent will recommend that the General Meeting allocate 30% of the consolidated profit earned by the parent in the current financial year to dividend payment.

## NOTE 11 – INTANGIBLE ASSETS

	<u>End of period</u> <u>31 Mar 2024</u>	<u>End of period</u> <u>31 Mar 2023</u>
	PLN thousand	PLN thousand
Goodwill	47,288	51,613
Costs of completed development work	18,257	17,346
Capitalised costs of development work in progress	5,682	4,871
Permits, licences and other intangible assets	4,209	4,649
	<u><b>75,436</b></u>	<u><b>78,479</b></u>

### Development work

Development expenditure at the Group includes the cost of certification processes for new products and technologies to be placed on the market. Development work is recognised as assets and amortised in accordance with the policies described in Note 2.

The Group conducted impairment tests for all completed development work and development work in progress carried out by the Group, using the discounted cash flow method. For the assessment of

impairment of completed development work and development work in progress, two cash generating units (CGUs) were identified at the level of MERCOR S.A. and DFM Doors Sp. z o.o. to which the respective assets were allocated. The discount rate applied in the tests was determined using the weighted average cost of capital of 9.0%. The impairment tests did not indicate any need for recognising impairment losses. Changes in key assumptions, to the extent such changes can be reasonably estimated (+/- 10% change in EBITDA and +/- 1pp change in WACC), would not lead to the carrying amount of the cash-generating unit exceeding its recoverable amount.

The impairment tests for development projects performed as at 31 March 2024 were based on discounted cash flow projections for a period of five years from the reporting date. The projections take into account the specific characteristics of a given market and are based on past experience in the market. The cash flow projections, along with their business rationale, were formulated by the heads of the R&D department in the respective product divisions for a five-year period, i.e. the financial years from 1 April 2024 to 31 March 2029. The long-term growth rate was derived from the economic growth data published by the OECD for Poland. For the purpose of discounting future cash flows, an interest rate corresponding to the cost of capital was employed, calculated using the weighted average cost of capital method (WACC). Permits and licenses mainly include licenses for computer systems and utility software used in the Group's operations. None of the Group's intangible assets serve as collateral.

### Goodwill

As at 31 March 2024, the goodwill disclosed in these consolidated financial statements includes the goodwill arising from the acquisition of:

	<u>Gross amount</u>	<u>Impairment losses</u>	<u>Exchange differences</u>	<u>Net amount</u>
	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Tecresa Protección Pasiva	97,183	57,349	1,180	41,014
Dunamenti Tűzvédelem Zrt. Group	7,537	-	(1,470)	6,067
DFM DOORS Sp. z o.o.	207	-	-	207
	<b>104,927</b>	<b>57,349</b>	<b>(290)</b>	<b>47,288</b>

Two cash-generating units (CGUs) were identified at the level of individual companies in which material goodwill was recognised: Tecresa Protección Pasiva and the Dunamenti Tuzveledem Group.

The impairment tests carried out as at 31 March 2024 for goodwill at Tecresa Protección Pasiva and Dunamenti Tuzveledem Zrt. were based on discounted cash flow (DCF) projections for periods of five years from the reporting date, taking into consideration the projected residual value. The adopted long-term growth rate used to calculate the value of the cash-generating unit beyond the projection period reflects the specific characteristics of the entity and the market in which it operates. Projections were prepared taking into account the specific characteristics of the relevant market and product category, based on past experience relating to the markets concerned. The cash flow projections with business rationale cover a period of five years, i.e. the financial years from 1 April 2024 to 31 March 2029.

Based on market projections, the following increase/decrease in sales was assumed:

- at the Tecresa Protección Pasiva CGU: 9% decrease in the first year of the projection period, and an increase of 10% in the second year and then 9% and 6% in the subsequent years;
- at the Dunamenti Tűzvédelem Zrt CGU: 3% increase in the first year of the projection period, 9% in the second year, and 7% and 4% in the following years.

In addition, the Tecresa CGU was included in the impairment test of goodwill from the acquisition of Tecresa taking into account the product synergies between MERCOR S.A. and Tecresa. MERCOR sells smoke exhaust products to Tecresa, and Tecresa's products are integral to the sales of the fire protection product division at MERCOR S.A. This arrangement has only become possible due to the acquisition. Prior to the acquisition, these products were not manufactured by the MERCOR Group. Thanks to the acquisition of Tecresa, the MERCOR Group achieves a full margin on the supply chain, from production to the provision of assembly services. Sales growth projections for MERCOR S.A. are based on the estimates of the growth expected in the Polish fire protection products market. Furthermore, due to the centralisation of operational functions within the Group, exports are handled by the MERCOR S.A. services in both home markets and main European export markets, as well as in export markets directly served by Tecresa, such as Asia, Africa, and South America.

The profitability projections for the Tecresa CGU are based on the adjustments made to the costs of products in the divisions of fire protections of building structures and smoke exhaust systems offered by the company. The product cost reduction is expected to translate into larger market shares and increased sales, even though there might be a slight decrease in margins. In addition, as the Group further specialises in its core areas of expertise, economies of scale will materialise at Tecresa. The company will increase deliveries within the Group, directly leading to a rise in the operating margin and EBITDA.

As at the reporting date, the Group also performed impairment tests of the goodwill resulting from the acquisition of the Dunamenti Tűzvédelem Group. Dunamenti Tűzvédelem's offer complements MERCOR's product range in the fire protection product division, while MERCOR S.A. supplies natural smoke exhaust systems and mechanical ventilation systems to Dunamenti Tűzvédelem. It was assumed that after European certification documents were secured for Dunamenti Tűzvédelem products, their sales in the MERCOR markets would grow rapidly. The increase in sales within the Dunamenti Tűzvédelem markets was projected to match the long-term growth expected for the Hungarian market.

Goodwill arising from accounting for acquisitions was allocated to the following cash-generating units:

- Tecresa Protección Pasiva CGU
- Dunamenti Tűzvédelem Zrt Group CGU

	Tecresa CGU		Dunamenti CGU		Total	
	31 Mar 2024	31 Mar 2023	31 Mar 2024	31 Mar 2023	31 Mar 2024	31 Mar 2023
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Carrying amount of goodwill	41,014	44,586	6,067	6,820	47,081	51,406

#### *Tecresa Protección Pasiva CGU*

The recoverable amount of the Tecresa Protección Pasiva CGU was determined using the forecast value in use, which was calculated based on a cash flow projection derived from the five-year financial budgets approved by the senior management. The weighted average cost of capital of 10.12% (2022/2023: 10.26%) was used to forecast the cash flows. Cash flows beyond the five-year period were estimated using a growth rate of 1.334% (2022/2023: 0.071%).

#### *Dunamenti Tűzvédelem Zrt Group CGU*

The recoverable amount of the Dunamenti Tűzvédelem Zrt Group CGU was also determined using the value in use method, with value in use calculated based on a cash flow projection derived from the five-year financial budgets approved by the senior management. The weighted average cost of capital of 11.31% (2022/2023: 11.51%) was used to forecast the cash flows. The growth rate applied to extrapolate the CGU's cash flows beyond the five-year period was 1.7% (2022/2023: 1.0%).

#### *Key assumptions for the calculation of value in use*

The value in use of the Tecresa Protección Pasiva and Dunamenti Tűzvédelem Zrt Group CGUs is most sensitive to the following variables:

- discount rate,
- EBITDA.

Discount rate – the discount rate reflects management's estimate of the risks typical of each CGU. It is an indicator used by management to estimate operational efficiency (performance) and to make future investment decisions. The discount rates for each CGU were determined based on the weighted average cost of capital (WACC).

EBITDA – calculated as operating profit before interest expense, taxes, depreciation and amortisation (i.e., amortisation of intangible assets and depreciation of property, plant and equipment).

#### *Sensitivity to changes of assumptions*

With regard to the value in use of the Dunamenti Tűzvédelem Zrt. Group and the Tecresa Protección Pasiva CGUs, management believes that no reasonably possible change in any of the key assumptions set out above would cause the carrying amounts of the CGUs to exceed their recoverable amounts. The management conducted a sensitivity analysis to changes in EBITDA (+/- 10%) and WACC (+/- 1pp), which confirmed the above conclusion. No change to any of the key assumptions referred to above, to the extent such change can be reasonably estimated, would lead to the carrying amount of the cash-generating unit exceeding its recoverable amount.

## Changes in intangible assets in the period from 1 April 2023 to 31 March 2024

	goodwill	costs of completed development work	capitalised costs of development work in progress	permits and licences	total
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
<b>Gross amount</b>					
<b>As at 1 Apr 2023</b>	<b>104,928</b>	<b>46,902</b>	<b>4,767</b>	<b>19,194</b>	<b>175,791</b>
Increase:					
- purchase	-	-	-	1,254	1,254
- self-generated	-	5,741	7,172	-	12,913
Decrease:					
- sale and retirement	-	-	384	-	384
- development work completed with positive result	-	-	5,741	-	5,741
<b>As at 31 Mar 2024</b>	<b>104,928</b>	<b>52,643</b>	<b>5,814</b>	<b>20,448</b>	<b>183,833</b>
<b>Accumulated amortisation and impairment losses</b>					
<b>As at 1 Apr 2023</b>	<b>57,349</b>	<b>29,798</b>	-	<b>10,303</b>	<b>97,450</b>
Increase:					
- amortisation	-	4,618	-	757	5,375
Decrease:					
- sale and retirement	-	-	-	-	-
<b>As at 31 Mar 2024</b>	<b>57,349</b>	<b>34,416</b>	-	<b>11,060</b>	<b>102,825</b>
Exchange differences	(291)	30	(132)	(5,179)	(5,572)
<b>Net carrying amount as at 31 Mar 2024</b>	<b>47,288</b>	<b>18,257</b>	<b>5,682</b>	<b>4,209</b>	<b>75,436</b>

## Changes in intangible assets in the period from 1 April 2022 to 31 March 2023

	goodwill	costs of completed development work	capitalised costs of development work in progress	permits and licences	total
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
<b>Gross amount</b>					
<b>As at 1 Apr 2022</b>	<b>104,928</b>	<b>40,331</b>	<b>7,398</b>	<b>17,533</b>	<b>170,190</b>
Increase:					
- purchase	-	-	-	2,431	2,431
- self-generated	-	6,571	3,940	-	10,511
Decrease:					
- sale and retirement	-	-	-	770	770
- development work completed with positive result	-	-	6,571	-	6,571
<b>As at 31 Mar 2023</b>	<b>104,928</b>	<b>46,902</b>	<b>4,767</b>	<b>19,194</b>	<b>175,791</b>
<b>Accumulated amortisation and impairment losses</b>					
<b>As at 1 Apr 2022</b>	<b>57,349</b>	<b>24,644</b>	-	<b>10,224</b>	<b>92,217</b>
Increase:					
- amortisation	-	5,154	-	849	6,003
Decrease:					
- sale and retirement	-	-	-	770	770
<b>As at 31 Mar 2023</b>	<b>57,349</b>	<b>29,798</b>	-	<b>10,303</b>	<b>97,450</b>
Exchange differences	<b>4,034</b>	<b>242</b>	<b>104</b>	<b>(4,242)</b>	<b>138</b>
<b>Net carrying amount as at 31 Mar 2023</b>	<b>51,613</b>	<b>17,346</b>	<b>4,871</b>	<b>4,649</b>	<b>78,479</b>

## NOTE 12 – PROPERTY, PLANT AND EQUIPMENT

	<u>End of period</u> <u>31 Mar 2024</u>	<u>End of period</u> <u>31 Mar 2023</u>
	PLN thousand	PLN thousand
Land	5,892	4,836
Buildings and structures	26,198	28,118
Machinery and equipment	36,616	40,580
Vehicles	2,978	2,584
Other	1,947	1,173
<b>Property, plant and equipment</b>	<b>73,631</b>	<b>77,291</b>
Property, plant and equipment under construction	10,419	1,332
Prepayments for property, plant and equipment	390	801
	<u><b>84,440</b></u>	<u><b>79,424</b></u>

As at the reporting date, non-current assets were assessed by the Group for indications of possible impairment. A significant increase in the prices of energy consumed in the manufacturing process was identified as an indication of possible impairment of assets associated with the manufacture and marketing of mcr Silboard fire protection boards, whereupon an impairment test was carried out.

The impairment test performed as at 31 March 2024 for assets involved in the manufacture of mcr Silboard fire protection boards was based on discounted cash flow projections for a period of five years from the reporting date, taking into consideration the projected residual value. The adopted long-term growth rate used to calculate the value of the cash-generating unit beyond the projection period reflects the specific characteristics of the entity and the market in which it operates. Projections were prepared taking into account the specific characteristics of the relevant market and product category, based on past experience relating to the markets concerned. The cash flow projections with business rationale cover a period of five years, i.e. the financial years from 1 April 2024 to 31 March 2029.

The discount rate was determined based on the real weighted average cost of capital of 10.48% (the nominal WACC was 13.24%). The test did not indicate any need for recognising impairment losses on the assets involved in the manufacture of mcr Silboard fire protection boards.

As part of the test, a sensitivity analysis was carried out. The analysis was prepared assuming changes in two variables affecting the value of the assets: a +/-10% change in EBITDA and a +/-1 percentage point change in the discount rate.

Only if EBITDA was to fall to the threshold value, by 20%, the carrying amount of the cash-generating unit would exceed its recoverable amount by PLN 2.7 million. In the case of an increase/decrease in the discount rate (WACC) to the threshold value, by 2 percentage points above the current level, the carrying amount of the cash-generating unit would exceed its recoverable amount by PLN 198 thousand.

Property, plant and equipment of the Group serve as collateral for loans advanced to the Group. The value of property, plant and equipment serving as collateral is shown in the table below.

	End of period 31 Mar 2024	End of period 31 Mar 2023
	PLN thousand	PLN thousand
Value of property, plant and equipment serving as collateral for credit facilities and guarantee facilities granted to the Group	13,316	12,005
	<b>13,316</b>	<b>12,005</b>

Changes in the value of property, plant and equipment are shown in the following tables

### Changes in property, plant and equipment in the period from 1 April 2023 to 31 March 2024

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other	Property, plant and equipment under construction	Total
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
<b>Gross amount</b>							
<b>As at 1 Apr 2023</b>	<b>4,836</b>	<b>43,845</b>	<b>76,582</b>	<b>5,288</b>	<b>4,947</b>	<b>1,332</b>	<b>136,830</b>
Increase:							
- purchase and transfer from property, plant and equipment under construction	1,127	305	2,272	1,373	791	13,378	19,246
- transfer to property, plant and equipment	-	3,627	1,268	-	1,610	-	6,505
Decrease:							
- sale and retirement	-	1,075	308	21	304	-	1,708
- purchase and transfer from property, plant and equipment under construction	-	-	435	-	10	3,012	3,457
<b>As at 31 Mar 2024</b>	<b>5,963</b>	<b>46,702</b>	<b>79,379</b>	<b>6,640</b>	<b>7,034</b>	<b>11,698</b>	<b>157,416</b>
<b>Accumulated depreciation and impairment losses</b>							
<b>As at 1 Apr 2023</b>	<b>-</b>	<b>16,537</b>	<b>35,317</b>	<b>4,005</b>	<b>3,774</b>	<b>-</b>	<b>59,633</b>
Increase:							
- depreciation	-	2,057	5,690	847	505	-	9,099
- transfer to property, plant and equipment	-	3,005	472	-	953	-	4,430
- impairment	-	-	-	-	-	764	764
Decrease:							
- sale and retirement	-	1,104	266	21	276	-	1,667

<b>As at 31 Mar 2024</b>	-	<b>20,495</b>	<b>41,213</b>	<b>4,831</b>	<b>4,956</b>	<b>764</b>	<b>72,259</b>
Exchange differences	(71)	(9)	(1,550)	1,169	(131)	(515)	(1,107)
<b>Net carrying amount as at 31 Mar 2024</b>	<b>5,892</b>	<b>26,198</b>	<b>36,616</b>	<b>2,978</b>	<b>1,947</b>	<b>10,419</b>	<b>84,050</b>

### Changes in property, plant and equipment in the period from 1 April 2022 to 31 March 2023

	Land	Buildings and structures	Machinery and equipment	Vehicles	Other	Property, plant and equipment under construction	Total
	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
<b>Gross amount</b>							
<b>As at 1 Apr 2022</b>	<b>1,836</b>	<b>20,036</b>	<b>42,539</b>	<b>4,163</b>	<b>4,930</b>	<b>23,041</b>	<b>96,545</b>
Increase:							
- purchase and transfer from property, plant and equipment under construction	-	5,050	24,194	1,552	300	4,083	35,179
- transfer to property, plant and equipment	3,000	18,777	9,886	-	-	-	31,663
Decrease:							
- sale and retirement	-	18	37	427	283	-	765
- purchase and transfer from property, plant and equipment under construction	-	-	-	-	-	25,792	25,792
<b>As at 31 Mar 2023</b>	<b>4,836</b>	<b>43,845</b>	<b>76,582</b>	<b>5,288</b>	<b>4,947</b>	<b>1,332</b>	<b>136,830</b>
<b>Accumulated depreciation and impairment losses</b>							
<b>As at 1 Apr 2022</b>	-	<b>8,602</b>	<b>26,281</b>	<b>3,775</b>	<b>3,694</b>	-	<b>42,352</b>
Increase:							
- depreciation	-	1,372	5,011	604	80	-	7,067
- transfer to property, plant and equipment and intangible assets	-	6,567	4,060	-	-	-	10,627
Decrease:							
- sale and retirement	-	4	35	374	-	-	413
<b>As at 31 Mar 2023</b>	-	<b>16,537</b>	<b>35,317</b>	<b>4,005</b>	<b>3,774</b>	-	<b>59,633</b>
Exchange differences	-	810	(685)	1,301	-	-	1,426
<b>Net carrying amount as at 31 Mar 2023</b>	<b>4,836</b>	<b>28,118</b>	<b>40,580</b>	<b>2,584</b>	<b>1,173</b>	<b>1,332</b>	<b>78,623</b>

## NOTE 13 – INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

In December 2021, the Group acquired a 25% interest in ELMECH-ASE Sp. z o.o. of Pruszcz Gdański. ELMECH-ASE is a company specialising in developing a smart power management technology based on energy storage facilities. Following a share capital increase, the Group acquired additional shares in the company, resulting in a cumulative ownership of 50% equity and voting rights in ELMECH-ASE Sp. z o.o.

The table below offers a summary of the investment in the jointly controlled entity. The amounts are sourced from the company's financial statements and have been adjusted to ensure compliance with IFRS.

	<u>End of period</u> <u>31 Mar 2024</u>	<u>End of period</u> <u>31 Mar 2023</u>
	PLN thousand	PLN thousand
Initial value of investment	3,100	3,100
Carrying amount of shares	-	493
Current assets	14,204	11,919
Non-current assets	1,544	815
Current liabilities	11,038	9,824
Non-current liabilities	7,883	5,907
Net assets of associate	(3,173)	(2,997)
Group's ownership interest in associate	50%	50%
Goodwill	-	-
Other adjustments	-	-

	<u>1 Apr 2023 –</u> <u>31 Mar 2024</u>	<u>1 Apr 2022 –</u> <u>31 Mar 2023</u>
	PLN thousand	PLN thousand
Revenue	16,907	9,867
Net profit (loss) from continuing operations	(1,177)	(5,212)
Profit (loss) from discontinued operations	-	-
Net profit (loss)	(1,177)	(5,212)

The parent granted ELMECH-ASE Sp. z o.o. long-term loans of PLN 3,400 thousand.

Potential indications of impairment of shares in the company were identified. Consequently, an impairment test was conducted to assess the carrying amount of the investment.

The impairment test carried out as at 31 March 2024 for shares in Elmech-ASE S.A. was based on discounted cash flow projections for a period of five years from the reporting date, taking into consideration the projected residual value. The adopted long-term growth rate used to calculate the value of the cash-generating unit beyond the projection period reflects the specific characteristics of the entity and the market in which it operates. Projections were prepared taking into account the specific characteristics of the relevant market and product category, based on past experience relating to the markets concerned. The cash flow projections with business rationale cover a period of five years, i.e. the financial years from 1 April 2024 to 31 March 2029.

The recoverable amount of the Elmech-ASE S.A. CGU was determined using the forecast value in use, which was calculated based on a cash flow projection derived from the five-year financial budgets approved by the senior management. The weighted average cost of capital of 12.22% was used to

forecast the cash flows. Cash flows beyond the five-year period were estimated using a growth rate of 1.479%.

The impairment test did not indicate any need for recognising impairment losses on shares held in the company. A sensitivity analysis was carried out with respect to the above assumptions for a +/- 10% change in EBITDA and +/- 1pp change in WACC. It demonstrated that no change to any of the key assumptions referred to above, to the extent such change can be reasonably estimated, would lead to the carrying amount of the cash-generating unit exceeding its recoverable amount.

## NOTE 14 – SECURITY DEPOSITS RECEIVABLE

	<u>End of period</u> <u>31 Mar 2024</u>	<u>End of period</u> <u>31 Mar 2023</u>
	PLN thousand	PLN thousand
Long-term security deposits receivable	13,089	9,665
Short-term security deposits receivable	5,481	6,056
Impairment losses	(1,816)	(1,712)
	<b><u>16,754</u></b>	<b><u>14,009</u></b>

Customers retain deposits that represent a contractually defined percentage of invoiced deliveries, typically between 5% and 10% of the contract value. Depending on the terms of the contract, the deposits are retained for a period of 6 to 120 months.

The portion of revenue corresponding to a retained deposit is recognised at fair value. The discount resulting from the recognition of fair value is accounted for as finance income, using the amortised cost method.

## NOTE 15 – OTHER NON-CURRENT ASSETS

	<u>End of period</u> <u>31 Mar 2024</u>	<u>End of period</u> <u>31 Mar 2023</u>
	PLN thousand	PLN thousand
Prepayments	811	297
	<b><u>811</u></b>	<b><u>297</u></b>

## NOTE 16 – INVENTORIES

	<u>End of period</u> 31 Mar 2024	<u>End of period</u> 31 Mar 2023
	PLN thousand	PLN thousand
Materials	50,774	50,203
Work in progress	6,579	7,461
Finished goods	30,396	31,136
Write-downs	(15,629)	(11,385)
	<b><u>72,120</u></b>	<b><u>77,415</u></b>

### Change in inventory write-downs

	<u>1 Apr 2023 –</u> 31 Mar 2024	<u>1 Apr 2022 –</u> 31 Mar 2023
	PLN thousand	PLN thousand
<b>At beginning of period</b>	<b>11,385</b>	<b>4,602</b>
Write-downs expensed in period	4,349	7,305
Write-downs used	105	522
<b>At end of the period</b>	<b>15,629</b>	<b>11,385</b>

The inventories are measured in accordance with the policies outlined in Note 2 Recognised inventory write-downs and their reversals are accounted for in the statement of profit or loss under cost of sales. In the reporting period, the Group used an inventory write-down of PLN 105 thousand following the sale or liquidation of inventories that had lost their economic usefulness. The amount of inventory write-downs recognised in the reporting period was PLN 4,349 thousand.

Inventories serve as collateral for credit facilities advanced to the Group. The table below presents the carrying amount of inventories that were assigned by way of security.

	<u>End of period</u> 31 Mar 2024	<u>End of period</u> 31 Mar 2023
	PLN thousand	PLN thousand
Value of inventories serving as collateral for bank borrowings	23,446	27,862
	<b><u>23,446</u></b>	<b><u>27,862</u></b>

## NOTE 17 – TRADE AND OTHER RECEIVABLES

	<u>End of period</u> <u>31 Mar 2024</u>	<u>End of period</u> <u>31 Mar 2023</u>
	PLN thousand	PLN thousand
Trade receivables	103,076	109,981
Taxes (excluding corporate income tax) receivable	4,982	2,846
Prepayments for deliveries	3,458	3,969
Other receivables	681	1,018
Impairment losses	(7,517)	(8,118)
	<b><u>104,680</u></b>	<b><u>109,696</u></b>

Trade receivables are non-interest-bearing and typically mature in 14 to 180 days. The fair value of receivables does not differ materially from their carrying amounts.

Trade receivables were insured during the reporting period. Seventy percent of receivables generated during the financial year were secured using this method.

### Change in impairment losses on receivables

	<u>1 Apr 2023 –</u> <u>31 Mar 2024</u>	<u>1 Apr 2022 –</u> <u>31 Mar 2023</u>
	PLN thousand	PLN thousand
<b>At beginning of period</b>	<b>8,118</b>	<b>8,157</b>
Impairment losses expensed in period	462	3,082
Impairment losses reversed	786	3,101
Impairment losses used	(345)	(31)
Changes due to exchange rate differences	68	11
<b>At end of the period</b>	<b>7,517</b>	<b>8,118</b>

## NOTE 18 – OTHER CURRENT ASSETS

	<u>End of period</u> <u>31 Mar 2024</u>	<u>End of period</u> <u>31 Mar 2023</u>
	PLN thousand	PLN thousand
Prepayments	5,810	2,970
	<b><u>5,810</u></b>	<b><u>2,970</u></b>

Other current assets comprise expenses related to future periods, including in particular prepayments for services to be delivered in the future. These assets are charged to operating expenses over time or in proportion to the amount of services performed, depending on their nature.

## NOTE 19 – CASH AND CASH EQUIVALENTS

	<u>End of period</u> 31 Mar 2024	<u>End of period</u> 31 Mar 2023
	PLN thousand	PLN thousand
Cash in hand and at banks	15,621	29,248
	<b>15,621</b>	<b>29,248</b>

Cash at banks earns interest at variable rates linked to O/N deposit rates. Short-term bank deposits are placed for various periods, usually from one day to three months, depending on the Group's immediate cash requirements, and earn interest at rates agreed with the bank.

The fair value of cash and cash equivalents is equal to their net carrying amount. Except for funds held in separate VAT accounts, there are no restrictions on the use of cash and cash equivalents. Cash held in separate VAT accounts is not recognised as restricted cash.

## NOTE 20 – EQUITY

### Share capital

Detailed information on individual series of shares comprising the parent's share capital as at 31 March 2024 is presented below:

Series	<u>Number</u> of shares	<u>Par value</u>	<u>Date of</u> registration	<u>Dividend</u> right as of	<u>Method of</u> payment for shares	<u>Type of</u> shares
AA	12,454,544	3,113,636.00	17 May 2007	17 May 2007	Cash/in-kind contribution*	ordinary
BB	1,691,230	422,807.50	9 Aug 2007	9 Aug 2007	Cash	ordinary
CC	1,423,503	355,875.75	15 Sep 2008	15 Sep 2008	Cash/in-kind contribution	ordinary
	<u>15,569,277</u>	<u>3,892,319.25</u>				

Par value per share (PLN): 0.25

\* The share capital of MERCOR S.A. was created as a result of the change in the legal form of PUH MERCOR Sp. z o.o. on 21 September 2004 and the related transformation of its capital; the share capital of PUH MERCOR Sp. z o.o. was paid in cash up to PLN 100.00, with the remaining PLN 2,999,900.00 paid for with an in-kind contribution in the form of shares in MERCOR-Pro Sp. z o.o., in accordance with notarial deed Rep. A No. 6477/99 dated 9 July 1999;

As at 31 March 2024, there were no restrictions attached to parent shares.

By resolution of the Extraordinary General Meeting of 26 January 2023, 89,258 of Series BB shares of the parent, representing 0.57% of its share capital, were cancelled. The cancellation of the shares and reduction of the parent's share capital to PLN 3,892,319.25 was registered by the District Court for Gdańsk-Północ in Gdańsk, 7th Commercial Division of the National Court Register, on 2 June 2023.

The parent's shareholding structure as at 31 March 2024 was as follows:

<u>Shareholder</u>	<u>31 Mar 2024</u>		<u>31 Mar 2023</u>	
	<u>Number of shares</u>	<u>%</u>	<u>Number of shares</u>	<u>%</u>
Permag Sp. z o.o.	4,102,994	26.35%	4,102,994	26.20%
Bangtino Limited	3,675,502	23.61%	3,675,502	23.47%
Nationale Nederlanden Otwarty Fundusz Emerytalny	1,454,465	9.34%	1,454,465	9.29%
Otwarty Fundusz Emerytalny PZU	1,452,947	9.33%	1,452,947	9.28%
Złota Jesień	1,376,379	8.84%	1,250,854	7.99%
N50 Cyprus Limited	791,018	5.08%	791,018	5.05%
PTE Allianz Polska S.A.	2,715,972	17.45%	2,930,755	18.72%
Other shareholders	15,569,277	100.00%	15,658,535	100.00%

The ownership interest presented above were the same as respective voting interests in the parent.

As at the date of these consolidated financial statements, shareholders holding 5% or more of total voting rights in the Company were as follows:

<u>Shareholder</u>	<u>Number of shares</u>	<u>%</u>
Permag Sp. z o.o.	4,102,994	26.35%
Bangtino Limited	3,358,904	21.57%
Nationale Nederlanden Otwarty Fundusz Emerytalny	1,454,465	9.34%
Otwarty Fundusz Emerytalny PZU Złota Jesień	1,452,947	9.33%
N50 Cyprus Limited	1,376,379	8.84%
PTE Allianz Polska S.A.	791,018	5.08%

### Capital reserves

Capital reserve of PLN 857 thousand was created as a result of a business combination.

In the previous financial year, the parent recognised a capital reserve of PLN 23,500 thousand to be used for share buyback. By way of a resolution of the Annual General Meeting of 13 September 2021, the amount of the reserve allocated to the buyback was reduced by PLN 16,255 thousand, to PLN 7,245 thousand. Following the reduction of the share capital through the cancellation of repurchased shares, the capital reserve was reduced by PLN 1,065 thousand. The carrying amount of the capital reserve as at 31 March 2024 was PLN 6,180 thousand.

## Treasury shares

Pursuant to a resolution of the Extraordinary General Meeting of 30 June 2020, in August 2020 the parent launched a share buyback programme. As at 31 March 2024, a total of 211,766 shares were bought back for an aggregate purchase price of PLN 3,661,925.65. Following the retirement of a portion of treasury shares in June 2023, treasury shares held by the parent as at 31 March 2024 represented 0.787% of the Company's share capital. The share buyback programme is being carried out within the limit of the PLN 7,245 thousand share buyback reserve created from retained earnings. The capital reserve was created pursuant to a resolution of the Extraordinary General Meeting of 30 June 2020. The relevant resolutions of the Extraordinary General Meeting were published in Current Report No. 16/2020 of 1 July 2020. In accordance with the rules of the share buyback programme approved on 16 March 2021, the parent may repurchase up to 940,000 shares. The purchase price may not be less than PLN 0.25 per share and may not exceed the amount of PLN 25.00 per share. The programme may continue in operation until 31 May 2025, or until such time as the allocated funds for its execution have been fully expended, whichever occurs first.

## Retained earnings

Retained earnings from previous years consist of profits retained by decision of the shareholders. Pursuant to Art. 396.1 of the Commercial Companies Code, at least 8% of profit for a financial year should be contributed to statutory reserve funds held for the purpose of covering losses, until the funds reach at least one-third of the Company's share capital.

The structure of retained earnings from previous years is as follows:

	<u>End of period</u> 31 Mar 2024	<u>End of period</u> 31 Mar 2023
	PLN thousand	PLN thousand
Retained earnings from previous years	94,568	62,738
Creation of capital reserve	-	-
Release of capital reserve	-	-
Dividend payment	(23,424)	(9,865)
Current period profit attributable to shareholders of the parent	49,310	41,695
	<b><u>120,454</u></b>	<b><u>94,568</u></b>

## NOTE 21 – BORROWINGS

	<u>End of period</u> <u>31 Mar 2024</u>	<u>End of period</u> <u>31 Mar 2023</u>
	PLN thousand	PLN thousand
Bank borrowings	69,309	77,946
Borrowings from financial institutions	-	68
	<b>69,309</b>	<b>78,014</b>
including:		
<b>Long-term portion</b>	<b>60,535</b>	<b>67,762</b>
Bank borrowings	60,535	67,762
Borrowings from financial institutions	-	-
<b>Short-term portion</b>	<b>8,774</b>	<b>10,252</b>
Bank borrowings	8,774	10,184
Borrowings from financial institutions	-	68
<b>Borrowings maturing:</b>		
within 1 year	8,774	10,252
in 2 to 3 years	60,535	62,447
in 3 to 5 years	-	5,315
	<b>69,309</b>	<b>78,014</b>

The parent complied with all the terms of its credit facility agreements.

Currency breakdown of the Group's bank borrowings (presented in PLN)

	<u>End of period</u> <u>31 Mar 2024</u>	<u>End of period</u> <u>31 Mar 2023</u>
	PLN thousand	PLN thousand
PLN-denominated facilities	32,653	37,816
EUR-denominated facilities	36,656	40,198
	<b>69,309</b>	<b>78,014</b>

The table below presents cash movements in the statement of cash flows.

	31 Mar 2023	Cash flows	Non-cash changes			31 Mar 2024
			Increases and reclassifications	Foreign exchange gains (losses)	Interest	
Long-term borrowings	67,762	(11,514)	-	-	4,287	60,535
Short-term borrowings	10,252	(2,099)	-	-	621	8,774
Lease liabilities	18,309	(5,157)	4,486	-	1,153	18,791

The table below presents the borrowings and material terms of credit facility agreements

## Borrowings as at 31 Mar 2024

Company name and legal form	Facility type	Principal amount as per agreement		Outstanding amount (PLN thousand)		Interest rate	Maturity date	Security
		thousand	currency	short-term portion	long-term portion			
BNP Paribas Bank Polska S.A.	Overdraft facility/working capital facility	42,880	PLN	-	20,943	1M WIBOR + margin	30 Nov 2025	assignment of receivables, registered pledge over inventories and property, plant and equipment with assignment of rights under insurance policy, blank promissory note, power of attorney over account held with the bank, joint contractual mortgage on a property in Miroslaw
BNP Paribas Bank Polska S.A.	Investment credit facility	10,000	PLN	1,436	2,535	1M WIBOR + margin	5 Dec 2026	registered pledge over property, plant and equipment with assignment of rights under insurance policy, blank promissory note, power of attorney over account held with the bank
Credit Agricole Bank Polska S.A.	Overdraft facility	28,560	PLN	-	14,210	O/N WIBOR + margin	31 Oct 2025	assignment of receivables, registered pledge over inventories and property, plant and equipment with assignment of rights under insurance policy, notarised consent to enforcement, joint contractual mortgage over property in Miroslaw
Santander Bank Polska S.A.	Overdraft facility	28,560	PLN	-	20,059	O/N WIBOR + margin	28 Nov 2025	assignment of receivables, registered pledge over inventories and property, plant and equipment with assignment of rights under insurance policy, joint contractual mortgage over property in Miroslaw, blank promissory note
Santander Bank Polska S.A.	Investment credit facility	10,000	PLN	1,351	2,628	1M WIBOR + margin	28 Feb 2027	registered pledge over property, plant and equipment (established prior to the disbursement of successive tranches), notarised consent to enforcement
BNP Paribas Bank Polska S.A.	Overdraft facility	7,000	PLN	2,151	-	1W WIBOR + margin	30 Nov 2024	assignment of receivables, registered pledge over inventories with assignment of rights under insurance policy, blank promissory note
Santander Bank Polska S.A.	Overdraft facility	2,000	PLN	1,659	-	1M WIBOR + margin	15 Nov 2024	accession to debt by MERCOR S.A., notarised consent to enforcement
Santander Bank Polska S.A.	Overdraft facility	2,000	PLN	1,767	-	1M WIBOR + margin	15 Nov 2024	accession to debt by MERCOR S.A., notarised consent to enforcement
BANKIA	Covid loan	570	EUR	410	160	3M EURIBOR + margin	25 Sep 2025	no security
<b>Total borrowings</b>				<b>8,774</b>	<b>60,535</b>			

## Borrowings as at 31 Mar 2023

Company name and legal form	Facility type	Principal amount as per agreement		Outstanding amount (PLN thousand)		Interest rate	Maturity date	Security
		thousand	currency	short-term portion	long-term portion			
BNP Paribas Bank Polska S.A.	Overdraft facility/working capital facility	42,880	PLN	-	37,716	1M WIBOR + margin	30 Nov 2024	assignment of receivables, registered pledge over inventories and property, plant and equipment with assignment of rights under insurance policy, blank promissory note, power of attorney over account held with the bank, joint contractual mortgage on a property in Miroslaw
BNP Paribas Bank Polska S.A.	Investment facility (acquisition of shares in Dunamenti Tűzvédelem Zrt)	17,000	PLN	305	-	1M WIBOR + margin	30 Apr 2023	power of attorney over bank account, blank promissory note, joint contractual mortgage over property with assignment of rights under insurance policy, pledge over Dunamenti Tűzvédelem Zrt business
BNP Paribas Bank Polska S.A.	Investment credit facility	10,000	PLN	1,232	3,980	1M WIBOR + margin	5 Dec 2026	registered pledge over property, plant and equipment with assignment of rights under insurance policy, blank promissory note, power of attorney over account held with the bank
Credit Agricole Bank Polska S.A.	Overdraft facility	28,560	PLN	-	8,497	O/N WIBOR + margin	31 Oct 2024	assignment of receivables, registered pledge over inventories and property, plant and equipment with assignment of rights under insurance policy, notarised consent to enforcement, joint contractual mortgage over property in Miroslaw
Santander Bank Polska S.A.	Overdraft facility	28,560	PLN	-	12,977	O/N WIBOR + margin	28 Nov 2024	assignment of receivables, registered pledge over inventories and property, plant and equipment with assignment of rights under insurance policy, joint contractual mortgage over property in Miroslaw, blank promissory note
Santander Bank Polska S.A.	Investment credit facility	10,000	PLN	1,327	3,989	1M WIBOR + margin	28 Feb 2027	registered pledge over property, plant and equipment (established prior to the disbursement of successive tranches), notarised consent to enforcement
Polski Fundusz Rozwoju	Covid subsidy	1,086	PLN	68	-	interest-free	30 Jun 2023	no security
BNP Paribas Bank Polska S.A.	Overdraft facility	6,000	PLN	5,027	-	1W WIBOR + margin	31 Nov 2023	assignment of receivables, registered pledge over inventories with assignment of rights under insurance policy, blank promissory note



Santander Bank Polska S.A.	Overdraft facility	2,000	PLN	697	-	1M WIBOR + margin	15 Nov 2023	accession to debt by MERCOR S.A., notarised consent to enforcement
Santander Bank Polska S.A.	Overdraft facility	2,000	PLN	581	-	1M WIBOR + margin	15 Nov 2023	accession to debt by MERCOR S.A., notarised consent to enforcement
BANKIA	Covid loan	927	EUR	1,015	603	3M EURIBOR + margin	25 Sep 2025	no security
<b>Total borrowings</b>				<b>10,252</b>	<b>67,762</b>			

## NOTE 22 – PROVISIONS FOR LIABILITIES

	<u>End of period</u> 31 Mar 2024	<u>End of period</u> 31 Mar 2023
	PLN thousand	PLN thousand
Provision for retirement benefits	566	566
Provision for warranty repairs	4,184	4,159
Provision for expected losses	-	-
	<u>4,750</u>	<u>4,725</u>
including:		
<b><i>Long-term portion</i></b>		
Provision for retirement benefits	555	555
Provision for warranty repairs	-	-
Provision for expected losses	-	-
	<u>555</u>	<u>555</u>
<b><i>Short-term portion</i></b>		
Provision for retirement benefits	11	11
Provision for warranty repairs	4,184	4,159
Provision for expected losses	-	-
	<u>4,195</u>	<u>4,170</u>

The Group typically provides a 24-month warranty for its products. Therefore, because the change in the time value of money does not have a material impact on the estimate of provisions for costs of warranty repairs, these provisions are not discounted. The provision amount is estimated at each reporting date based on the historical share of warranty repairs related to previous periods. The provision amount is calculated on the basis of the prorated share of costs of warranty repairs in revenue.

Employees of the Group companies located in Poland are entitled to retirement severance payments in accordance with Art. 92<sup>1</sup> of the Labour Code. This entitlement amount corresponds to an employee's one-month pay on the date they become eligible for severance pay. Provisions for retirement severance payments are estimated using actuarial methods. Material actuarial assumptions for each reporting date are as follows:

	<u>End of period</u> 31 Mar 2024	<u>End of period</u> 31 Mar 2023
Discount rate	6.1%	6.1%
Wages growth rate	6.0%	6.0%
Wages growth rate for future years	6.2%	6.2%

	<u>Provision for retirement benefits</u>	<u>Provision for warranty repairs</u>	<u>Provision for expected losses</u>
	PLN thousand	PLN thousand	PLN thousand
<b>Provisions as at 31 Mar 2023</b>	<b>566</b>	<b>4,159</b>	-
Provisions expensed in period	-	171	-
Reversal of provisions recognised in prior periods	-	-	-
Use of provisions recognised in prior periods	-	146	-
<b>Provisions as at 31 Mar 2024</b>	<b>566</b>	<b>4,184</b>	-

## NOTE 23 – TRADE AND OTHER PAYABLES

	<u>End of period 31 Mar 2024</u>	<u>End of period 31 Mar 2023</u>
	PLN thousand	PLN thousand
Trade payables	50,500	71,746
Taxes (excluding corporate income tax) and social security contributions payable	7,735	4,381
Salaries and wages payable	2,916	2,170
Prepaid deliveries	12,827	13,358
Other liabilities and accruals, including:	18,114	20,435
accrued bonuses and overtime pay	9,160	13,443
accrued holiday entitlements	2,271	2,300
unbilled expenses	3,799	2,991
other liabilities	2,884	1,701
	<b>92,092</b>	<b>112,090</b>
including:		
long-term portion	-	-
short-term portion	92,092	112,090
	<b>92,092</b>	<b>112,090</b>

Trade payables are non-interest-bearing and typically mature in 7 to 90 days. The Group is not dependent on a small group of suppliers.

## NOTE 24 – DEFERRED INCOME

	<u>End of period</u> 31 Mar 2024	<u>End of period</u> 31 Mar 2023
Gain on disposal of property, plant and equipment	-	-
Grants for development projects	3,609	3,815
Other	196	204
	<b><u>3,805</u></b>	<b><u>4,019</u></b>
including:		
long-term portion	3,303	3,465
short-term portion	502	554
	<b><u>3,805</u></b>	<b><u>4,019</u></b>

The parent secured co-financing for development expenditure under an agreement signed in 2016 with the National Centre for Research and Development to co-finance a project executed as part of the Smart Growth operational programme. The total amount of co-financing that could be received during the five-year term of the agreement was PLN 10,319 thousand.

As part of the grant, the parent received PLN 6,673 thousand, including PLN 243 thousand in the reporting period. The parent has completed the project, and therefore it will not receive any further tranches of the co-financing in subsequent financial years.

As at the date of these financial statements, the parent complied with all the terms and conditions of the agreement.

## NOTE 25 – LEASES

The Group leases the built-up property where its production plant is located, machinery and equipment, vehicles, as well as office space and parking lots. The lease terms are as follows: 15 years for property (from January 2009), from 3 to 7 years for machinery and equipment, and from 3 to 5 years for vehicles. Office space is leased for periods from 3 to 5 years.

In addition, the parent uses land held in perpetual usufruct.

The lease contracts for vehicles did not include initial payment or purchase option clauses. Most leases for machinery and equipment contain purchase option clauses, with the purchase price set at 0.1% to 1% of the initial value of the leased asset. In this case, the purchased options are included in the valuation of the lease liabilities.

Change in right-of-use assets:

	<u>As at 1 Apr 2023</u>	<u>New lease contracts</u>	<u>Lease modifications</u>	<u>Transfer to property, plant and equipment</u>	<u>Depreciation for period</u>	<u>Exchange differences</u>	<u>As at 31 Mar 2024</u>
Perpetual usufruct of land	306	-	-	-	44	-	262
Land	-	-	-	-	-	-	-
Buildings and structures	12,434	204	164	(51)	3,000	(31)	9,720
Machinery and equipment	3,666	1,097	-	(796)	1,198	11	2,780
Vehicles	1,628	4,693	(51)	-	1,519	(13)	4,738
Other	671	-	-	(658)	13	-	-
<b>Total</b>	<b>18,705</b>	<b>5,994</b>	<b>113</b>	<b>(1,505)</b>	<b>5,774</b>	<b>(33)</b>	<b>17,500</b>

	<u>As at 1 Apr 2022</u>	<u>New lease contracts</u>	<u>Lease modifications</u>	<u>Transfer to property, plant and equipment</u>	<u>Depreciation for period</u>	<u>Exchange differences</u>	<u>As at 31 Mar 2023</u>
Perpetual usufruct of land	349	-	-	-	43	-	306
Land	3,000	-	-	(3,000)	-	-	-
Buildings and structures	26,553	2,131	(169)	(12,210)	3,836	(35)	12,434
Machinery and equipment	10,016	1,376	-	(5,825)	1,900	(1)	3,666
Vehicles	1,928	834	50	-	1,170	(14)	1,628
Other	832	-	-	-	161	-	671
<b>Total</b>	<b>42,678</b>	<b>4,341</b>	<b>(119)</b>	<b>(21,035)</b>	<b>7,110</b>	<b>(50)</b>	<b>18,705</b>

Change in right-of-use liabilities:

	<u>As at 1 Apr 2023</u>	<u>New lease contracts</u>	<u>Lease modifications</u>	<u>Lease payments</u>	<u>Interest</u>	<u>Exchange differences</u>	<u>As at 31 Mar 2024</u>
Perpetual usufruct of land	433	-	-	61	13	-	385
Land	-	-	-	-	-	-	-
Buildings and structures	13,090	204	164	3,750	525	(176)	10,057
Machinery and equipment	3,086	1,097	-	914	115	-	3,384
Vehicles	1,677	4,693	(51)	1,685	336	(5)	4,965
Other	23	-	-	23	-	-	-
<b>Total</b>	<b>18,309</b>	<b>5,994</b>	<b>113</b>	<b>6,433</b>	<b>989</b>	<b>(181)</b>	<b>18,791</b>

	<u>As at 1 Apr 2022</u>	<u>New lease contracts</u>	<u>Lease modifications</u>	<u>Lease payments</u>	<u>Interest</u>	<u>Exchange differences</u>	<u>As at 31 Mar 2023</u>
Perpetual usufruct of land	479	-	-	61	15	-	433
Land	1,211	-	-	1,211	-	-	-
Buildings and structures	18,414	2,131	(169)	8,257	727	244	13,090
Machinery and equipment	4,603	1,376	-	3,048	155	-	3,086
Vehicles	1,991	834	50	1,274	84	(8)	1,677
Other	288	-	-	266	1	-	23
<b>Total</b>	<b>26,986</b>	<b>4,341</b>	<b>(119)</b>	<b>14,117</b>	<b>982</b>	<b>236</b>	<b>18,309</b>

## NOTE 26 – CONTINGENT ASSETS AND CONTINGENT LIABILITIES

### Contingent assets

The parent was in dispute with tax authorities as a result of inspections carried out by the Gdańsk Province Tax Office in relation to the settlement of corporate income tax for the tax year from 1 April 2012 to 31 March 2013 (see Note 9 to these financial statements) Until the resolution of the dispute, the parent recognised a contingent asset for the refund of advance CIT payments of PLN 5,433 thousand plus interest. As the dispute was resolved in favour of the parent, the contingent asset was realised during the financial year.

The Group does not carry any other material items representing contingent assets.

### Contingent liabilities

The parent has no contingent liabilities.

Other than those described above, the Group does not have any material contingent assets or liabilities that are not recognised in these financial statements and, if recognised, would result in inflows or outflows of economic benefits.

## NOTE 27 – RELATED PARTIES

### Identification of related parties

#### 1. Major shareholders

For information on major shareholders, see Note 20 to these consolidated financial statements.

#### 2. Other related parties

Other related parties to the Group include members of the management and supervisory bodies of the parent and its subsidiaries (including senior officers), as well as those who perform specific functions within Group companies, individuals who are close family members of such persons (i.e., life partner, children, children of the life partner, and dependents of the person or their life partner), and other business entities where members of the Management Boards of the parent and its subsidiaries and its subsidiaries hold management positions or are shareholders.

The Group does not operate any post-employment benefit plans for employees of the parent of other entities related to the Group.

### Transactions with shareholders of the parent

In the periods covered by these consolidated financial statements, related-party transactions with shareholders of the parent included trade transactions entered into by the parent with members of its Management Board, members of the parent's other governing, and members of their families. The value and substance of trade transactions are presented in the table below:

<u>Related party</u>	<u>Year</u>	<u>Sales to related parties</u>	<u>Purchases from related parties</u>	<u>Interest on borrowings from related parties</u>	<u>Receivables from related parties</u>	<u>Liabilities to related parties</u>
		PLN thousand	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Krempeć	2023/2024	163	-	-	3	-
Krzysztof	2022/2023	11	-	-	3	-
	<b>2023/2024</b>	<b>163</b>	-	-	<b>3</b>	-
	<b>2022/2023</b>	<b>11</b>	-	-	<b>3</b>	-

The transactions shown above involved the recharging of costs incurred.

### Transactions with other related parties

#### **Trade transactions**

Transactions with other entities included transactions between the Company and Ambient-System Sp. z o.o., in which one of the current members of the Company's Supervisory Board holds 100% of shares, and with Periban Poland Sp. z o.o. spółka komandytowa and Jeździecki Klub Sportowy Barłomino Sp. z o.o., which are related to the parent through one of its Management Board members. The value and substance of trade transactions are presented in the table below:

<u>Related party</u>	<u>Year</u>	<u>Sales to related parties</u>	<u>Purchases from related parties</u>	<u>Receivables from related parties</u>	<u>Liabilities to related parties</u>
		PLN thousand	PLN thousand	PLN thousand	PLN thousand
Ambient System Sp. z o.o.	2023/2024	4	-	-	-
	2022/2023	6	-	-	-
Permag Sp. z o.o.	2023/2024	-	-	-	-
	2022/2023	-	-	-	-
Periban Poland Sp. z o.o. Sp. k.	2023/2024	-	525	-	58
	2022/2023	-	510	-	52
Jeździecki Klub Sportowy Barłomino Sp. z o.o.	2023/2024	-	-	-	-
	2022/2023	30	-	-	-

Transactions shown above included sales and purchases of materials, goods and services.

## Executive compensation

Executive compensation comprises remuneration provided to members of the Management Board, members of the Supervisory Board and senior officers of the parent. The remuneration provided to this group of personnel, categorised by type of benefits, is presented below.

	<u>1 Apr 2023–</u> <u>31 Mar 2024</u>	<u>1 Apr 2022–</u> <u>31 Mar 2023</u>
	PLN thousand	PLN thousand
Short-term employee benefits	7,223	6,126
	<b>7,223</b>	<b>6,126</b>

The total short-term employee benefits presented above consist of remuneration paid under the employment contracts and for the functions performed. These benefits include:

	<u>1 Apr 2023–</u> <u>31 Mar 2024</u>	<u>1 Apr 2022–</u> <u>31 Mar 2023</u>
	PLN thousand	PLN thousand
<b>Management Board</b>	<b>3,080</b>	<b>2,153</b>
- Krzysztof Krempeć	1,059	667
- Jakub Lipiński	835	716
- Tomasz Kamiński	1,186	770
<b>Supervisory Board</b>	<b>592</b>	<b>525</b>
- Lucjan Myrda	118	104
- Tomasz Rutowski	79	70
- Marian Popinigis	79	71
- Eryk Karski	79	70
- Błażej Żmijewski	79	70
- Arkadiusz Kęsicki	79	70
- Pathy Timu Zenzo	79	70
<b>Senior officers</b>	<b>3,551</b>	<b>3,448</b>
	<b>7,223</b>	<b>6,126</b>

Additionally, during the reporting period, Jakub Lipiński received remuneration of PLN 72 thousand for his service as a member of the Management Board of the subsidiary MERCOR Centrum Usług Wspólnych Sp. z o.o.

The parent has in place a bonus scheme for its management personnel wherein payments are contingent upon the attainment of predefined levels of specific economic indicators. As at 31 March 2024, the parent recognised a liability for payments due to management personnel, as the target levels of the indicators were achieved by all employees covered under the bonus scheme.

Costs of the scheme are recognised as salaries and wages, while liabilities are disclosed in the statement of financial position as 'Other liabilities and accruals'.

## NOTE 28 – FINANCIAL INSTRUMENTS

The main financial instruments used by the Group include borrowings (Note 21), cash and bank deposits (Note 19), receivables (Note 17), liabilities (Note 23), and interest rate derivatives (SWAP). The primary purpose of these financial instruments is twofold: firstly, to secure funding for the Group's ongoing

operations, and secondly, to invest any cash surplus as it occurs. In addition to the aforementioned instruments, the Group also holds other financial instruments, such as trade receivables and payables (as detailed in Notes 17 and 23), as well as forward contracts. These financial instruments arise directly in the ordinary course of the Group's business.

The Group is exposed to several key risks stemming from its financial instruments, which include interest rate risk, currency risk, liquidity risk, and credit risk.

The interest rate risk arises mainly from non-current liabilities, including borrowings and financed lease liabilities. Due to the nature of lease liabilities, their entire balance can be treated as fixed-rate liabilities. Therefore, with respect to these instruments, the Group is not directly exposed to interest rate risk. Bank borrowings bear interest at variable rates based on prevailing local interbank market conditions, resulting in the Group's exposure to interest rate risk. The Group does not use any hedging instruments for interest rate risk.

As regards currency risk, the Group's exposure to this type of risk arises from sale or purchase transactions conducted in currencies other than its functional currency. The Group does not engage in any investment activities that would expose it to currency risk. During the reporting period, the Group used forward contracts to hedge against currency risk. Exchange differences arising from operating activities are recognised as either finance costs or finance income, as appropriate. The Group monitors currency risk for both on- and off-balance-sheet items.

Throughout the reporting period, the Group managed credit risk by engaging in transactions with entities of strong credit standing. Cooperation with such entities is preceded by internal pre-verification procedures. Additionally, the balances of receivables are monitored on an ongoing basis and are insured, so the Group's exposure to significant bad debt risk remains immaterial. The Group's other financial assets, such as cash, bank deposits, and investments in other financial assets, primarily expose the Group to the risk of counterparty default. The maximum potential exposure arising from this risk is equivalent to the net carrying amount of the respective financial instrument.

The fair value of individual financial instruments does not differ from the carrying amounts disclosed in these financial statements.

Net carrying amount of each category and class of financial instruments

	<u>End of period</u> <u>31 Mar 2024</u>	<u>End of period</u> <u>31 Mar 2023</u>
	PLN thousand	PLN thousand
<b>Classes of financial instruments</b>		
Security deposits receivable	16,754	14,009
Trade receivables	104,680	109,696
Contract assets	29,056	27,913
Cash and cash equivalents	15,621	29,248
Forward hedging transactions	39	-
<b>Total assets</b>	<b>166,150</b>	<b>180,866</b>
Borrowings	69,309	78,014
Trade payables	92,092	71,746
Contract liabilities	3,688	2,240
Forward hedging transactions	-	21
Right-of-use liabilities	18,791	18,309
<b>Total liabilities</b>	<b>183,880</b>	<b>170,330</b>

<u>End of period</u> <u>31 Mar 2024</u>	fair value	carrying amount	measured at fair value through profit or loss	measured at fair value with changes recognised in equity	measured at amortised cost
	thousand	thousand	thousand	thousand	thousand
<b>Non-current assets</b>	<b>13,089</b>	<b>13,089</b>	-	-	<b>13,089</b>
Trade receivables and contract receivables	13,089	13,089	-	-	13,089
<b>Current assets</b>	<b>153,061</b>	<b>153,061</b>	<b>39</b>	-	<b>153,022</b>
Trade receivables and contract receivables	137,401	137,401	-	-	137,401
Cash and cash equivalents	15,621	15,621	-	-	15,621
Derivative financial instruments	39	39	39	-	-
<b>Total</b>	<b>166,150</b>	<b>166,150</b>	<b>39</b>	-	<b>166,111</b>

<u>End of period</u> <u>31 Mar 2023</u>	fair value	carrying amount	measured at fair value through profit or loss	measured at fair value with changes recognised in equity	measured at amortised cost
	thousand	thousand	thousand	thousand	thousand
<b>Non-current assets</b>	<b>9,665</b>	<b>9,665</b>	-	-	<b>9,665</b>
Trade receivables and contract receivables	9,665	9,665	-	-	9,665
<b>Current assets</b>	<b>171,201</b>	<b>171,201</b>	-	-	<b>171,201</b>
Trade receivables and contract receivables	141,953	141,953	-	-	141,953
Cash and cash equivalents	29,248	29,248	-	-	29,248
Derivative financial instruments	-	-	-	-	-
<b>Total</b>	<b>180,866</b>	<b>180,866</b>	-	-	<b>180,866</b>

<u>End of period</u> <u>31 Mar 2024</u>	fair value	carrying amount	measured at fair value through profit or loss	measured at amortised cost	measured at fair value with changes recognised in equity
	thousand	thousand	thousand	thousand	thousand
<b>Non-current liabilities</b>	<b>71,101</b>	<b>71,101</b>	-	<b>71,101</b>	-
Borrowings	60,535	60,535	-	60,535	-
Right-of-use liabilities	10,566	10,566	-	10,566	-
<b>Current liabilities</b>	<b>112,779</b>	<b>112,779</b>	-	<b>112,779</b>	-
Borrowings	8,774	8,774	-	8,774	-
Trade payables and contract payables	95,780	95,780	-	95,780	-
Right-of-use liabilities	8,225	8,225	-	8,225	-
Derivative financial instruments	-	-	-	-	-
<b>Total</b>	<b>183,880</b>	<b>183,880</b>	-	<b>183,880</b>	-

<u>End of period</u> <u>31 Mar 2023</u>	fair value	carrying amount	measured at fair value through profit or loss	measured at amortised cost	measured at fair value with changes recognised in equity
	thousand	thousand	thousand	thousand	thousand
<b>Non-current liabilities</b>	<b>82,131</b>	<b>82,131</b>	-	<b>82,131</b>	-
Borrowings	67,762	67,762	-	67,762	-
Right-of-use liabilities	14,369	14,369	-	14,369	-
<b>Current liabilities</b>	<b>88,199</b>	<b>88,199</b>	<b>21</b>	<b>88,178</b>	-
Borrowings	10,252	10,252	-	10,252	-
Trade payables and contract payables	73,986	73,986	-	73,986	-
Right-of-use liabilities	3,940	3,940	-	3,940	-
Derivative financial instruments	21	21	21	-	-
<b>Total</b>	<b>170,330</b>	<b>170,330</b>	<b>21</b>	<b>170,309</b>	-

### Fair value of financial instruments

The carrying amount of the presented financial instruments does not differ from their fair value. Derivatives (forward contracts) are recognised as assets when their valuation is positive. If the valuation of an instrument is negative, the Company recognises such valuation as liabilities arising from the instrument. Valuation of financial instruments is disclosed on a separate basis, with no offsets of valuations of similar financial instruments.

### Fair value hierarchy

The Group does not have any financial instruments at fair value through profit or loss for which there is an active market and whose fair value is determined based on market quotations (Level 1). For financial instruments at fair value through profit or loss (Level 2), fair value is determined on the basis of directly or indirectly observable inputs. Forward contracts are recognised based on valuations presented by the banks whose services are used by the Group.

As at the reporting date, the value of financial instruments measured at fair value through profit or loss, by fair value hierarchy level, was follows:

	Level 1		Level 2	
	<u>End of period</u> <u>31 Mar</u> <u>2024</u>	<u>End of period</u> <u>31 Mar</u> <u>2023</u>	<u>End of period</u> <u>31 Mar</u> <u>2024</u>	<u>End of period</u> <u>31 Mar</u> <u>2023</u>
	PLN thousand	PLN thousand	PLN thousand	PLN thousand
Forward hedging transactions	39	-	-	-
<b>Total financial assets</b>	<b>39</b>	-	-	-
Forward hedging transactions	-	-	-	21
Measurement of financial instruments	-	-	-	-
<b>Total financial liabilities</b>	-	-	-	<b>21</b>

There were no transfers between the fair value hierarchy levels during the reporting period.

### Security for liabilities

The value of the Group's assets serving as collateral as at the reporting date is presented below.

	<u>End of period</u> <u>31 Mar</u> <u>2024</u>	<u>End of period</u> <u>31 Mar</u> <u>2023</u>
	PLN thousand	PLN thousand
Property, plant and equipment	13,316	12,005
Trade receivables and security deposits	75,136	74,939
Inventories	23,446	27,862
<b>Total assets serving as security for liabilities</b>	<b>111,898</b>	<b>114,806</b>

### **Net gains or losses on financial assets and liabilities**

	<u>For period</u> <u>1 Apr 2023 –</u> <u>31 Mar 2024</u>	<u>For period</u> <u>1 Apr 2022 –</u> <u>31 Mar 2023</u>
	PLN thousand	PLN thousand
Loans and receivables	449	842
- accrued interest on bank deposits	175	515
- accrued interest on late payment	73	85
- expected credit losses	201	242
Cash and cash equivalents (exchange differences)	-	-
Positive valuation of derivative instruments	39	-
Financial liabilities measured at amortised cost	(2,647)	(8,487)
- exchange differences on liabilities	4,111	(153)
- interest on bank borrowings	(4,908)	(5,681)
- interest on late payment	(30)	(49)
- interest on leases	(1,153)	(2,070)
- commission fees on bank borrowings and guarantees	(667)	(534)
Negative valuation of derivative instruments	-	(21)
<b>Total</b>	<b>(2,159)</b>	<b>(7,666)</b>

### **Assessment of currency risk and interest rate risk**

The table below presents an analysis of the impact of changes in interest rates and exchange rates on profit or loss and equity (revaluation reserve). The analysis covers the financial assets and financial liabilities in the statement of financial position.

#### **Methodology and assumptions**

The Group has assets and liabilities denominated in foreign currencies.

Based on past historical developments and market predictions and forecasts, there is a realistic possibility of a +/-5% fluctuation in the PLN exchange rate against foreign currencies and a +/-50 basis point change in interest rates.

	Net carrying amount PLN thousand	Interest rate risk		Currency risk			
		+/-50 bps SP PLN/EUR		+5% (appreciation of PLN)		-5% (depreciation of PLN)	
		Effect on profit (loss)	Effect on profit (loss)	Effect on profit (loss)	Changes in equity	Effect on profit (loss)	Changes in equity
<b>Financial assets</b>							
Cash and cash equivalents	15,621	-	-	-	-	-	-
Trade and other receivables	104,680	-	-	(748)	-	748	-
Currency forward contracts	39	-	-	(2)	-	(2)	-
<b>Effect on financial assets before tax</b>	-	-	-	<b>(750)</b>	-	<b>750</b>	-
Tax (19%)	-	-	-	143	-	(143)	-
<b>Effect on financial assets after tax</b>	-	-	-	<b>(607)</b>	-	<b>607</b>	-
<b>Financial liabilities</b>							
Borrowings	69,309	(347)	347	1,804	-	(1,804)	-
Trade and other payables	92,092	-	-	334	-	(334)	-
Currency forward contracts	-	-	-	-	-	-	-
<b>Effect on financial liabilities before tax</b>	-	<b>(347)</b>	<b>347</b>	<b>2,138</b>	-	<b>(2,138)</b>	-
Tax (19%)	-	66	(66)	(406)	-	406	-
<b>Effect on financial liabilities after tax</b>	-	<b>(281)</b>	<b>281</b>	<b>1,732</b>	-	<b>(1,732)</b>	-
<b>Total</b>	-	<b>(281)</b>	<b>281</b>	<b>1,125</b>	-	<b>(1,125)</b>	-

### Interest rate risk

As at 31 March 2024, the Group's net profit would be lower by PLN 281 thousand if interest rates in PLN and EUR were to increase by 50 basis points, assuming all other relevant parameters remained constant. This is a result of a relatively high level of liabilities under borrowings and a low balance of cash. If interest rates fell and all other factors remained constant, the net profit would be PLN 281 thousand higher.

### Currency risk

As at 31 March 2024, the Group's net profit would be higher by PLN 1,125 thousand if the Polish currency appreciated by 5% (mainly against EUR), assuming all other relevant parameters remained constant. This can be attributed to a substantial share of debt financing (bank borrowings) in foreign currencies.

### Currency risk management

The Group engages in transactions denominated in foreign currencies, and their share in total revenue has been consistently increasing over time. These transactions are subject to currency risk, so the Group has adopted an active policy of hedging such exposures by entering into forward contracts.

Below is presented the notional amount of the forward contracts denominated in the currency of the respective transactions as at the end of the reporting period.

	Assets		Liabilities	
	<u>End of period</u> 31 Mar 2024	<u>End of period</u> 31 Mar 2023	<u>End of period</u> 31 Mar 2024	<u>End of period</u> 31 Mar 2023
EUR	-	-	-	-
RON	-	-	1,444	500
CZK	-	-	8,900	3,600

The table below presents undiscounted inflows and outflows from derivatives to be settled in subsequent periods.

The values are presented according to the rates of forward contracts held as at the end of the reporting period, which are the only foreign currency derivatives held by the Group.

	<u>Up to 1 month</u>	<u>From 1 to 3 months</u>	<u>From 3 months to 1 year</u>
	PLN thousand	PLN thousand	PLN thousand
Maturity of currency forward contracts (inflows)	2,265	537	-
Maturity of currency forward contracts (outflows)	-	-	-

### Liquidity risk

The Group monitors projected inflows and outflows related to its cash assets and liabilities on an ongoing basis. It also optimises cash flows at its related companies. The Group uses overdraft facilities to ensure it satisfies its payment obligations in a timely manner.

The Management Board of the parent reviews profitability and working capital indicators where there are negative deviations from levels assumed to be standard thresholds. The factor with the most significant impact on these indicators as at the reporting date was the level of borrowings at the parent, consisting mainly of short-term working capital facilities.

Maturity of financial liabilities as at the reporting date is presented below.

	<u>End of period</u> 31 Mar 2024	<u>End of period</u> 31 Mar 2023
	PLN thousand	PLN thousand
Up to 1 month	18,250	26,504
From 1 to 3 months	40,188	48,177
From 3 months to 1 year	12,749	13,497
Over 1 year	71,101	82,131
<b>Total liabilities</b>	<b>142,288</b>	<b>170,309</b>

### Credit risk

The Group mitigates the credit risk arising from its receivables by insuring them. The credit risk for insured receivables is 10% (i.e., up to the amount of the deductible). Furthermore, where allowed under the respective contracts, the Group provides bank guarantees to its customers for the duration of contract performance and post-sale warranty. This practice results in a reduction of the receivables retained by trading partners in the form of security deposits. Credit risk is further mitigated due to the diversified customer base of the Group. The level of receivables from any individual counterparty does not exceed 10% of the total receivables.

For trade receivables, the Group utilises both statistical method, estimating the amount of loss allowance based on a provision matrix, as well as a case-by-case approach. For each past due trade receivable where the case-by-case approach has been applied, management exercises professional judgment based on the aging of the receivables, analysis of the counterparty's financial condition, type of collateral, status of contract performance, and other relevant facts and circumstances.

The procedure for recognising an additional loss allowance beyond the amounts determined directly from the provision matrix serves as an additional verification mechanism employed within the Group. This mechanism enables the Group to identify receivables with a higher risk of non-payment than statistical averages.

The amount of expected credit losses, calculated using both the matrix and case-by-case approach as at 31 March 2024, is presented in the table below. This analysis was performed separately for trade receivables and receivables from retained security deposits.

#### Trade receivables

	<u>Gross amount</u>	<u>Matrix approach</u>		<u>Case-by-case approach</u>	<u>Total loss allowance</u>	<u>Net amount</u>
	PLN thousand	<u>Weighted average ECL</u>	<u>Expected credit loss</u>	<u>Loss allowance</u>	PLN thousand	PLN thousand
		%	PLN thousand	PLN thousand		
not past due	74,235	0.41	301	-	301	73,934
past due up to 30 days	16,299	2.27	370	-	370	15,929
past due 31–60 days	2,599	20.47	532	-	532	2,067
past due 61–90 days	1,679	46.52	781	-	781	898
past due over 90 days	8,264	35.66	2,947	2,586	5,533	2,731
<b>Total</b>	<b>103,076</b>		<b>4,931</b>	<b>2,586</b>	<b>7,517</b>	<b>95,559</b>

Receivables from retained security deposits

	<u>Gross amount</u>	<u>Matrix approach</u>		<u>Case-by-</u>	<u>Total loss allowance</u>	<u>Net amount</u>
		<u>Weighted average ECL</u>	<u>Expected credit loss</u>	<u>case approach Loss allowance</u>		
	PLN thousand	%	PLN thousand	PLN thousand	PLN thousand	PLN thousand
not past due	16,078	2.84	456	-	456	15,622
past due up to 30 days	50	14	7	-	7	43
past due 31–60 days	281	16.73	47	-	47	234
past due 61–90 days	9	22.22	2	-	2	7
past due over 90 days	2,152	22.4	482	822	1,304	848
<b>Total</b>	<b>18,570</b>		<b>994</b>	<b>822</b>	<b>1,816</b>	<b>16,754</b>

The amount of expected credit losses, calculated using both the matrix and case-by-case approach as at 31 March 2023, is presented in the table below.

Trade receivables

	<u>Gross amount</u>	<u>Matrix approach</u>		<u>Case-by-</u>	<u>Total loss allowance</u>	<u>Net amount</u>
		<u>Weighted average ECL</u>	<u>Expected credit loss</u>	<u>case approach Loss allowance</u>		
	PLN thousand	%	PLN thousand	PLN thousand	PLN thousand	PLN thousand
not past due	72,774	0.47	343	-	343	72,431
past due up to 30 days	19,633	1.27	249	-	249	19,384
past due 31–60 days	2,207	13.09	289	-	289	1,918
past due 61–90 days	1,000	49.80	498	-	498	502
past due over 90 days	14,367	25.62	3,681	3,058	6,739	7,628
<b>Total</b>	<b>109,981</b>		<b>5,060</b>	<b>3,058</b>	<b>8,118</b>	<b>101,863</b>

Receivables from retained security deposits

	<u>Gross amount</u>	<u>Matrix approach</u>		<u>Case-by-</u>	<u>Total loss allowance</u>	<u>Net amount</u>
		<u>Weighted average ECL</u>	<u>Expected credit loss</u>	<u>case approach Loss allowance</u>		
	PLN thousand	%	PLN thousand	PLN thousand	PLN thousand	PLN thousand
not past due	12,626	2.45	309	-	309	12,317
past due up to 30 days	210	6.19	13	-	13	197
past due 31–60 days	243	25.1	61	-	61	182
past due 61–90 days	205	17.56	36	-	36	169
past due over 90 days	2,437	17.56	1,293	-	1,293	1,144
<b>Total</b>	<b>15,721</b>		<b>1,712</b>	<b>-</b>	<b>1,712</b>	<b>14,009</b>

## Capital management

The Group has established a capital management policy with the primary objective of ensuring long-term liquidity. To achieve this objective, the Group seeks to maintain an optimal financing structure. The financing structure is monitored by analysing the ratio of net debt to equity. Net debt includes bank borrowings and finance lease liabilities less cash and cash equivalents. Equity comprises both equity attributable to shareholders of the parent and the value of non-controlling interests.

## NOTE 29 – EVENTS AFTER THE REPORTING DATE

No significant events other than those included in these financial statements have taken place subsequent to the reporting date.

## NOTE 30 – AUDITOR'S FEES

On 19 October 2020, the Company entered into an auditor engagement letter providing for:

- audit of the separate and consolidated full-year financial statements for the financial years ended 31 March 2021, 31 March 2022, 31 March 2023, 31 March 2024 and 31 March 2025;
- review of the condensed separate and consolidated interim financial statements for the six months ended 30 September 2020, 30 September 2021, 30 September 2022, 30 September 2023 and 30 September 2024;
- review of the subsidiary Mercor Proof LLC's consolidation package for the 12 months ended 31 March 2021, 31 March 2022, 31 March 2023, 31 March 2024 and 31 March 2025, and presentation of a separate report,

with Ernst & Young Audyt Polska Spółka z ograniczoną odpowiedzialnością Sp. k.

The resolution to appoint the auditor was passed by the Supervisory Board of MERCOR S.A. as the competent corporate body under Art. 12.3.b of the Company's Articles of Association. It was the first time that the entity was engaged by the Company.

The auditor's fees are presented below.

	<u>2023/2024</u>	<u>2022/2023</u>
	(PLN)	(PLN)
Audit of separate full-year financial statements of the Company	115,000	115,000
Audit of consolidated full-year financial statements of the Group	115,000	115,000
Review of condensed separate half-year financial statements of the Company	50,000	38,951
Review of condensed consolidated half-year financial statements of the Group	50,000	38,951
<b>Total auditor's fees</b>	<b>330,000</b>	<b>307,902</b>

In addition, the following fees were paid to Ernst & Young network companies performing the services listed below for MERCOR S.A. subsidiaries:

	<u>2023/2024</u>	<u>2022/2023</u>
	(PLN)	(PLN)
Audit of consolidated full-year financial statements of the Group	103,136	108,425
Audit of consolidation package of Mercor Dunamenti Zrt.	79,674	86,614
Audit of separate financial statements and consolidation package of DFM Doors Sp. z o.o.	70,000	70,000
<b>Total auditor's fees</b>	<b>252,810</b>	<b>265,039</b>

## NOTE 31 – DIFFERENCES RELATIVE TO PREVIOUSLY PUBLISHED FINANCIAL STATEMENTS

There were no differences with respect to the previously published financial statements.

These consolidated financial statements were authorised for issue by the Management Board on 28 June 2024.

Management Board of the parent  
MERCOR S.A.

Krzysztof Krempeć  
President of the Management Board

Jakub Lipiński  
First Vice President of the Management Board

Tomasz Kamiński  
Member of the Management Board

Gdańsk, 28 June 2024