The IPOPEMA Securities Group

Consolidated financial statements

for the year ended December 31st 2019

Warsaw, March 30th 2020

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Financial highlights

Consolidated financial highlights	PLN '000		EUR '000	
	2019	2018	2019	2018
Revenue from core activities	139,992	98,108	32,543	22,993
Cost of core activities	134,699	98,381	31,312	23,057
Profit/(loss) on core activities	5,293	- 273	1,230	- 64
Operating profit/(loss)	6,413	- 850	1,491	- 199
Profit/(loss) before tax	4,316	- 2,494	1,003	- 584
Net profit/(loss) from continuing operations	3,534	- 2,063	822	- 483
Net profit/(loss)	3,534	- 2,063	822	- 483
Net profit/loss from continuing operations per ordinary share (PLN/EUR)				
- basic	0.10	- 0.10	0.02	- 0.02
- diluted	0.10	- 0.10	0.02	- 0.02
Net cash from operating activities	29,557	- 8,287	6,871	- 1,942
Net cash from investing activities	307	3,011	71	706
Net cash from financing activities	- 14,007	- 15,365	- 3,256	- 3,601
Total cash flows	15,857	- 20,641	3,686	- 4,837

Consolidated financial highlights	PLN '000		EUR '000	
	Dec 31 2019	Dec 31 2018	Dec 31 2019	Dec 31 2018
Total assets	271,200	259,698	63,684	60,395
Current liabilities	168,310	166,536	39,523	38,729
Equity	83,744	80,407	19,665	18,699
Number of shares	29,937,836	29,937,836	29,937,836	29,937,836
Book value per share (PLN/EUR)	2.80	2.69	0.66	0.62

The individual items of the financial highlights were translated into the euro at the following exchange rates:

- Items of the consolidated statement of comprehensive income and statement of cash flows:

Average exchange rate calculated as the arithmetic mean of the exchange rates quoted on the last day of each month in the period	2019	2018
EUR	4.3018	4.2669

- Items of the consolidated statement of financial position:

Exchange rate as at	Dec 31 2019	Dec 31 2018
EUR	4.2585	4.3000

These consolidated financial statements for the year ended December 31st 2019 were authorised for issue by the Management Board on March 30th 2020.

- High and low EUR exchange rates in the period:

EUR	2019	2018
Low rate	4.2406	4.1423
High rate	4.3891	4.3978

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Consolidated statement of comprehensive income

for the year ended December 31st 2019

	Note	2019	2018
CONTINUING OPERATIONS			
Revenue from core activities, including:	15.1	**139,992**	**98,108**
Revenue from brokerage activities		36,379	32,380
Revenue from investment fund and asset management		74,432	40,579
Revenue from advisory services		29,181	25,149
Cost of core activities	15.2	**134,699**	**98,381**
Profit/(loss) on core activities		**5,293**	**- 273**
Gain/(loss) on financial assets at fair value through profit or loss	15.4	- 301	- 861
Other income	15.5	3,046	1,076
Other expenses	15.5	1,625	792
Operating profit/(loss)		**6,413**	**- 850**
Finance income	15.3	1,003	1,768
Finance costs	15.3	3,100	3,412
Profit/(loss) before tax		**4,316**	**- 2,494**
Income tax	17	782	- 431
Net profit/(loss) on continuing operations		**3,534**	**- 2,063**
DISCONTINUED OPERATIONS		**-**	**-**
Net profit/(loss) for period		**3,534**	**- 2,063**
Attributable to:			
Owners of the parent		3,116	- 2,934
Non-controlling interests		418	871
Earnings/(loss) per share (PLN)	9	0.10	- 0.10
Diluted earnings/(loss) per share (PLN)	9	0.10	- 0.10
Net profit/(loss) for period		**3,534**	**- 2,063**
Other comprehensive income that will not be reclassified to profit or loss		**153**	**- 101**
Gains and losses on remeasurement of equity instruments		189	- 125
Income tax on items of other comprehensive income		- 36	24
Comprehensive income for period		**3,687**	**- 2,164**
Attributable to:			
Owners of the parent		3,269	- 3,035
Non-controlling interests		418	871

Consolidated statement of financial position

as at December 31st 2019

ASSETS	Note	Dec 31 2019	Dec 31 2018
Cash and cash equivalents	12.1	62,713	46,938
Short-term receivables	12.2	182,531	184,806
Current tax assets		12	169
Current prepayments and accrued income	12.3	1,234	1,239
Financial assets measured at fair value through profit or loss	12.4, 18.2	308	9,756
Equity instruments through other comprehensive income	12.5, 18.1	4,972	6,299
Investments in jointly controlled entities and associates		-	-
Long-term receivables		2,882	3,639
Long-term loans	18.1	322	49
Right-of-use assets	25	9,768	-
Property, plant and equipment	12.6	1,781	2,388
Investment property		-	-
Intangible assets	12.7	1,192	1,652
Deferred tax assets	17	3,473	2,651
Non-current prepayments and accrued income		12	112
TOTAL ASSETS		**271,200**	**259,698**

EQUITY AND LIABILITIES		Dec 31 2019	Dec 31 2018
Current liabilities	14.3	163,848	166,488
Current tax liabilities		292	48
Other financial liabilities		-	-
Current lease liabilities	25	4,170	-
Non-current lease liabilities	25	9,850	2,346
Other non-current liabilities		-	-
Deferred tax liabilities	17	454	417
Accruals and deferred income	14.1	8,842	9,992
Total liabilities		**187,456**	**179,291**
Share capital	13.1	2,994	2,994
Other capital reserves		14,003	13,637
Retained earnings	13.2	62,139	59,186
Total equity attributable to owners of the parent		**79,136**	**75,817**
Non-controlling interests	13.3	**4,608**	**4,590**
Total equity		**83,744**	**80,407**
TOTAL EQUITY AND LIABILITIES		**271,200**	**259,698**

Consolidated statement of cash flows

for the year ended December 31st 2019

CASH FLOWS	Note	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES	24		
Profit before tax		**4,316**	**- 2,494**
Total adjustments:		**25,241**	**- 5,793**
Depreciation and amortisation		4,885	2,233
Foreign exchange gains/(losses)		57	- 115
Interest and dividends		1,237	1,456
Gain/(loss) on investing activities		-	-
Change in financial assets at fair value through profit or loss		9,448	- 6,748
Increase/(decrease) in receivables		3,979	81,023
Increase/(decrease) in current liabilities (net of borrowings)		6,209	- 86,962
Change in provisions and impairment losses on receivables		- 915	- 543
Increase/(decrease) in accruals and deferrals		- 1,045	2,977
Lease inflows		1,042	1,042
Adjustment related to implementation of IFRS 16		1,578	-
Income tax paid		- 1,214	- 110
Other adjustments		- 20	- 46
Net cash from operating activities		**29,557**	**- 8,287**
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in loans		- 624	- 230
Profit distributions (dividends) received		-	348
Interest received		8	26
Decrease in loans		158	156
Purchase of property, plant and equipment and intangible assets		- 811	- 495
Acquisition of equity instruments through other comprehensive income		- 23,125	- 19,115
Sale of equity instruments through other comprehensive income		24,701	22,321
Net cash from investing activities		**307**	**3,011**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of debt securities		2	2
Repayment of debt securities		- 3	- 5
Interest paid		- 979	- 1,188
Payment of lease liabilities		- 3,741	-
Payment of finance lease liabilities		-	- 1,262
Payment of borrowings		- 8,686	- 11,715
Dividends paid to owners of the parent		-	- 1,197
Dividends to non-controlling interests		- 600	-
Net cash from financing activities		**- 14,007**	**- 15,365**
Total cash flows		**15,857**	**- 20,641**
Net increase in cash and cash equivalents		15,800	- 20,526
Effect of exchange rate fluctuations on cash held		- 57	115
Cash at beginning of period		46,879	67,520
Cash at end of period, including		**62,736**	**46,879**
*restricted cash**		*28,835*	*15,814*

** Restricted cash includes primarily clients' funds held by the Company, as well as cash in escrow.*

Consolidated statement of changes in equity

for the year ended December 31st 2019

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Share capital	Other capital reserves			Retained earnings		
		Share premium	Revaluation capital reserve	Other capital reserves			
As at Jan 1 2019	**2,994**	**10,351**	**72**	**3,214**	**59,186**	**4,590**	**80,407**
Net profit for 2019	-	-	-	-	3,116	418	3,534
Other comprehensive income	-	-	366	-	- 163	-	203
Dividend paid	-	-	-	-	-	- 400	- 400
As at Dec 31 2019	**2,994**	**10,351**	**438**	**3,214**	**62,139**	**4,608**	**83,744**
As at Jan 1 2018	**2,994**	**10,351**	**173**	**3,214**	**63,154**	**4,319**	**84,205**
Net profit for 2018	-	-	-	-	- 2,934	871	- 2,063
Other comprehensive income	-	-	- 101	-	-	-	- 101
Gain/(loss) on transactions in equity instruments	-	-	-	-	163	-	163
Dividend paid	-	-	-	-	- 1,197	- 600	- 1,797
As at Dec 31 2018	**2,994**	**10,351**	**72**	**3,214**	**59,186**	**4,590**	**80,407**

Notes

1. IPOPEMA Securities Group

The IPOPEMA Securities Group (the ‘Group’, ‘IPOPEMA Group’) comprises entities controlled by IPOPEMA Securities S.A. (the ‘parent’ or the ‘Company’).

The parent’s registered office is at ul. Próżna 9, Warsaw, Poland.

The Company shares are listed on the main market of the Warsaw Stock Exchange.

As at December 31st 2019, the IPOPEMA Securities Group comprised IPOPEMA Securities S.A. and its subsidiaries (see Note 2). All IPOPEMA Securities Group companies have been established for indefinite time. The financial statements of all subordinated entities were prepared for the same period as the parent’s financial statements and in accordance with uniform accounting principles.

IPOPEMA Securities S. A. – the parent

The parent was established on March 2nd 2005 (as Dom Maklerski IPOPEMA S.A.) for indefinite time.

The parent is registered in the Business Register of the National Court Register maintained by the District Court, 12th Commercial Division of the National Court Register, under entry No. KRS 0000230737.

The parent was assigned Industry Identification Number (REGON) 140086881.

IPOPEMA Securities S.A. is authorised to conduct brokerage activities by the Polish Financial Supervision Authority (formerly the Polish Securities and Exchange Commission).

The name of the Company was changed from Dom Maklerski IPOPEMA S.A. to IPOPEMA Securities Spółka Akcyjna under Resolution No. 5 of the Extraordinary General Meeting held on August 10th 2006.

Composition of the Management Board

As at the date of these consolidated financial statements, the composition of the Company’s Management Board was as follows:

- Jacek Lewandowski – CEO and President of the Management Board,
- Mirosław Borys – Vice-President of the Management Board,
- Mariusz Piskorski – Vice-President of the Management Board,
- Stanisław Waczkowski – Vice-President of the Management Board.

Composition of the Supervisory Board

As at the date of these consolidated financial statements, the composition of the Company’s Supervisory Board was as follows:

Jacek Jonak – Chairman of the Supervisory Board,
Janusz Diemko – Secretary of the Supervisory Board,
Michał Dobak – Member of the Supervisory Board,
Bogdan Kryca – Member of the Supervisory Board,
Ewa Radkowska-Świętoń – Member of the Supervisory Board.

Piotr Szczepiórkowski resigned from his position as member of the Supervisory Board with effect from June 27th 2019. Zbigniew Mrowiec was appointed in his place and held the position from September 17th 2019. On January 23rd 2020 Zbigniew Mrowiec resigned from his position, and Ewa Radkowska-Świętoń was appointed in his place on the same date.

Principal business activity

The Group's principal business includes:

1 brokerage activities,
2 business and management advisory services,
3 operation of investment fund companies, creation and management of investment funds,
4 management of portfolios of broker-traded financial instruments,
5 computer facilities management,
6 computer consultancy services.

According to the sector/industry classification of the Warsaw Stock Exchange, the Group's business is classified as other finance (fin).

The IPOPEMA Securities Group specialises in the provision of brokerage, equity research and investment banking services, distribution of investment products, provision of investment consultancy services to a broad base of retail clients (IPOPEMA Securities S.A.), creation and management of closed-end and open-end investment funds and provision of asset management services (through the subsidiary IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A. – 'IPOPEMA TFI' or the 'Management Company'), as well as provision of business and IT consultancy services (through the subsidiary IPOPEMA Business Consulting Sp. z o.o.). The Group also offers advisory services related to corporate financial restructuring and finance raising for infrastructure projects. Until 2017, these services were provided by IPOPEMA Securities, and in the first quarter 2017 they were transferred to a dedicated subsidiary IPOPEMA Financial Advisory Sp. z o.o. spółka komandytowa ('IFA SK').

As part of its brokerage business the Company provides comprehensive services in the area of intermediation in securities trading on the secondary market, and also provides intermediation services in debt instruments trading outside the regulated market. The Company's partners and clients include established and well known international financial institutions, as well as most of leading Polish institutional investors, including open-end pension funds, investment fund companies, asset managers and insurers, as well as private individuals. The brokerage business of IPOPEMA Securities S.A. is supported by a team of analysts, who provide research coverage on several dozen companies listed on the WSE and foreign stock exchanges.

The Company's investment banking services include comprehensive assistance in the preparation and execution of transactions on the capital market, involving the use of equity instruments (shares), debt instruments (corporate bonds), and hybrid solutions (convertible bonds). The Company focuses on public offerings of securities (especially shares) – in which it acts as coordinator, offering broker and financial adviser – M&A transactions and management buy-outs, as well as advisory on the raising of financing on the private market, including from private equity funds and through pre-IPO placements. IPOPEMA Securities S.A. also assists companies listed on the Warsaw Stock Exchange in arranging share repurchase transactions, including tender offers and buyback programmes. It also provides financial restructuring advisory services.

Apart from the above business, the Company also conducts activities which consist in offering brokerage services and investment products, including active investment advisory services, for a broad base of retail clients. These activities are carried out directly by IPOPEMA Securities and through third parties acting as its agents.

The Group also specialises in the provision of comprehensive financial restructuring services and raising funds for infrastructure projects. Until 2017, these services were offered by IPOPEMA Securities S.A., but are currently provided by IFA SK a dedicated subsidiary.

IPOPEMA TFI's business focuses on the creation and management of both closed-end investment funds (for high-net-worth individuals and corporate clients) and open-end investment funds (for a broad base of retail investors). IPOPEMA TFI also provides discretionary portfolio management services (asset management) involving personalised investment strategies, to institutional clients (insurers, investment funds, non-profit organisations) and individuals.

IPOPEMA Business Consulting Sp. z o.o. provides corporate strategy and business advisory services, as well as IT advisory services.

2. Composition of the Group

IPOPEMA Securities S.A. is the parent of the IPOPEMA Group. Both the parent and the other Group companies have been established for indefinite time.

As at December 31st 2019, the Group comprised IPOPEMA Securities S.A. and the following subsidiaries:

1) consolidated subsidiaries controlled by the Company

Company	Principal business	Consolidation method	Ownership interest	% of voting rights
IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A.	- operation of investment fund companies, creation and management of investment funds, - discretionary management of securities portfolios - securities trading advisory services - intermediation in the sale and redemption of investment fund shares - representation services for foreign funds	full	100%	100%
IPOPEMA Business Consulting Sp. z o.o.	- other business and management consultancy services - computer facilities management, - computer consultancy, - software-related activities - wholesale of computers, computer peripherals and software	full	50.02%	50.02%
IPOPEMA Financial Advisory Sp. z o.o. spółka komandytowa	- advisory services related to corporate financial restructuring and finance raising for infrastructure projects	full	N/A	

2) non-consolidated subsidiaries controlled by the Company:

Company	Principal business	Consolidation method	Ownership interest	% of voting rights
IPOPEMA Financial Advisory Sp. z o.o.	- support for the activities of IPOPEMA Financial Advisory Sp. z o.o. spółka komandytowa	not consolidated (due to immateriality of financial data)	100%	100%

IPOPEMA Financial Advisory Sp. z o.o. is not consolidated as its effect on the Group's data is immaterial.

IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A. ('IPOPEMA TFI') – a subsidiary

IPOPEMA TFI was established in 2007 and operates under the licence issued by the Polish Financial Supervision Authority (PFSA) on September 13th 2007. Its principal business includes: (i) operation of an investment fund company, as well as creation and management of investment funds, (ii) discretionary management of securities portfolios, (iii) securities trading advisory services, (iv) intermediation in the sale and redemption of investment fund shares, and (v) representation services for foreign funds. The amount of IPOPEMA TFI's share capital is PLN 10,599,441.00 and is divided into 3,533,147 registered shares. The composition of the company's Management Board was as follows: Jarosław Wikaliński, President; Katarzyna Westfeld (as of October 10th 2018) and Marcin Winnicki (from June 26th 2019). The Management Board members are profrssionals with long-standing experience in financial markets, including in asset management and creation of investment funds. IPOPEMA Securities S.A. holds 100% of shares and voting rights in IPOPEMA TFI.

IPOPEMA Business Consulting Sp. z o.o. ('IBC') – a subsidiary

IPOPEMA Business Consulting Sp. z o.o. was established in 2008. The amount of IPOPEMA Business Consulting's share capital is PLN 100,050 and is divided into 2,001 shares, of which 1,001 are held by IPOPEMA Securities S.A., and the remaining 1,000 shares are held in equal parts by its partners: Eliza Łoś-Strychowska and Tomasz Rowecki, who are members of the Management Board of IBC. IBC's principal business includes (i) other business and management consultancy, (ii) IT equipment management, (iii) IT consultancy, (iv) software consultancy, (v) wholesale of computers, peripheral equipment and software.

IPOPEMA Financial Advisory Sp. z o.o. ('IFA') – a subsidiary

In 2016, the Company purchased from IBC all shares in IPOPEMA Outsourcing Sp. z o.o., and later in the same year the company's name was changed to IPOPEMA Financial Advisory Sp. z o.o. (IFA). The amount of IPOPEMA Financial Advisory's share capital is PLN 5,000 and is divided into 100 shares. The company's Management Board is composed of Jarosław Błaszczak, President, and Marcin Kurowski, Member. IFA is wholly owned by the Company.

IPOPEMA Financial Advisory Sp. z o.o. spółka komandytowa ('IFA SK')

IPOPEMA Financial Advisory spółka z ograniczoną odpowiedzialnością spółka komandytowa (IFA SK), with the Company and Jarosław Błaszczak as limited partners and IFA as the general partner, was registered in the Business Register in 2016. The Company's maximum as a limited partner in IFA SK's is PLN 7,750. The structure comprising IFA and IFA SK was established following the transfer to IFA SK in February 2017 of advisory services related to corporate financial restructuring and fund raising for infrastructure projects, previously provided by IPOPEMA Securities (Jarosław Błaszczak, currently a limited partner in IFA SK, had already worked with the Company in this business area).

Grupa Finanset Sółka z o.o. ('Finanset')

On March 16th 2020, the Company purchased 100% of shares in Finanset. The amount of Finanset's share capital is PLN 50 thousand and is divided into 1,000 shares.

3. Basis of preparation

3.1. Going concern assumption

These consolidated financial statements were prepared on the assumption that the companies of the Group would continue as going concerns in the foreseeable future. As at the date of authorisation of these financial statements for issue, there were no circumstances which would indicate any threat to the Group's consolidated companies continuing as going concerns.

3.2. Identification of financial statements

These consolidated financial statements of the Group cover the year ended December 31st 2019 and contain comparative data for the year ended December 31st 2018.

Unless stated otherwise, all amounts in tables are presented in PLN '000.

These consolidated financial statements were prepared in accordance with the historical cost convention, except for data on listed shares, derivatives, or fund shares/certificates.

3.3. Statement of compliance

These consolidated financial statements were prepared in accordance with International Accounting Standards, International Financial Reporting Standards ('IFRS') and their interpretations as endorsed by the European Union. Other standards, revisions and amendments to existing standards, and interpretations of the International Financial Reporting Interpretations Committee ('IFRIC'), which have been endorsed recently or are pending endorsement, are not relevant to the Group's operations or their effect on the Group's financial statements would be immaterial.

The IFRS comprise standards and interpretations approved by the International Accounting Standards Board ('IASB') and the International Financial Reporting Interpretations Committee ('IFRIC').

The Group companies keep their accounting books in accordance with the accounting principles set forth in the Polish Accounting Act of September 29th 1994 (the 'Act') and the subsidiary regulations issued thereunder ('Polish Accounting Standards'). These consolidated financial statements contain adjustments which are not included in the accounting books of the Group entities but which were made to ensure compliance of the entities' financial statements with the IFRS.

3.4. Measurement currency and reporting currency

The measurement currency and the reporting currency of these consolidated financial statements is the Polish złoty ('PLN') and all amounts in these financial statements are presented in thousands of Polish złoty, unless stated otherwise.

3.5. Comparability of data

There were no significant presentation changes in 2019 and 2018. For presentation changes related to the implementation of IFRS 16, see Note 4.2.

4. Significant accounting policies

4.1. Changes in accounting polices following amendments to IFRS

Standards and interpretations which have been issued and are effective for annual periods beginning on or after January 1st 2019:

- IFRS 16 *Leases* – published by the International Accounting Standards Board on January 13th 2016, effective for annual periods beginning on January 1st 2019. The new standard replaces IAS 17 *Leases* applicable until the end of 2018, as well as IFRIC 4, SIC-15 and SIC-27. IFRS 16 introduces a new definition of a lease based on the concept of control over use of the asset. All lease contracts give rise to the lessee's obligation to recognise assets and liabilities from all lease contracts that meet the criteria stipulated by the standard (with a few exceptions and simplifications). Leases of office space, vehicles and other assets will be reflected in the lessee's assets and liabilities measured at the discounted expected cash flows from the contract.
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement* – published on February 7th 2018, effective for annual periods beginning on or after January 1st 2019. The amendments relate to remeasurements of defined benefits plans on a plan amendment, requiring entities to use updated assumptions for the calculation of current service cost and interest for post-amendment periods if the net defined benefit liability (asset) is remeasured. Previously, IAS 19 failed to provide clear guidance on that specific issue.
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation* – published on October 12th 2017, effective for annual periods beginning on or after January 1st 2019. Amendments to IFRS 9 introduce guidance regarding contracts with prepayment features in which the lender may be forced to accept a prepayment amount that is substantially less than unpaid amounts of principal and interest. Such prepayment could constitute a payment to the borrower by the lender and not a compensation from the borrower to the lender. The relevant financial asset would be eligible to be measured at amortised cost or at fair value through other comprehensive income (depending on the company's business model), and the negative compensation must represent reasonable compensation for early repayment under the contract.
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* – effective for annual periods beginning on or after January 1st 2019. The amendments clarify that IFRS 9 should be applied to financial instruments other than equity-accounted financial instruments in associates and joint ventures, even if such instruments are part of the net investment in the entity.
- Interpretation IFRIC 23 *Uncertainty over Income Tax Treatments* – published on June 7th 2017, effective for annual periods beginning on or after January 1st 2019. The interpretation clarifies how to apply the recognition and measurement requirements stipulated in IAS 12 *Income Taxes* in the case of uncertainty over income tax treatments. An uncertain tax treatment is applied if it is not probable that a tax authority will accept a particular tax treatment. In particular, IFRIC 23 defines – if there is uncertainty over income tax treatments – whether and when an entity should consider uncertain tax treatments separately; the assumptions made by the entity about the examination of tax treatments by taxation authorities; how the entity determines taxable profit (tax loss), tax bases, unused tax losses and tax rates; and how the entity considers changes in facts and circumstances. In accordance with the interpretation, the effects of uncertainty should be measured based on the approach which best predicts how the uncertainty will be resolved: either the most likely amount method or the expected value method.
- Amendments to various standards introduced as part of "Annual Improvements to IFRS Standards 2015–2017 Cycle". As part of the annual IFRS improvement cycle, minor amendments to the following standards were made on December 12th 2017: IFRS 3 *Business Combinations* – clarifying that when an

entity obtains control of a joint operation, it remeasures previously held interests in that joint operation; IFRS 11 *Joint Arrangements* – clarifying that when an entity obtains joint control of a joint operation, the entity does not remeasure previously held interests in that joint operation; IAS 12 *Income Taxes* – clarifying that all tax consequences of dividends are recognised in the same way as dividend payments; IAS 23 *Borrowing Costs* – clarifying that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of the funds that it has borrowed generally.

The Group did not opt for early adoption of other standards and interpretations which have been issued but are not yet effective. For the effect of implementation of the new standards, see Note 4.2. The Group believes that the application of the other standards and interpretations referred to above did not have a significnat effect on the consolidated financial statements in the period of initial application, but only resulted in changes in the applied accounting policies or an extension of the scope of necessary disclosures.

4.2. Presentation changes due to implementation of new standards

Implementation of IFRS 16

IFRS 16 is effective for annual periods beginning on or after January 1st 2019. The standard may be applied early by entities that apply IFRS 15 at or before the date of initial application of IFRS 16. The Group did not opt for early adoption of IFRS 16. The Group decided to apply IFRS 16 to contracts previously identified as finance leases without having to reassess the contract. As at the date of application of the standard, the Group applied individual assessment of the contracts and their specific discount rates. Finance leases that were classified as leases under the IAS were not reviewed. In 2019, the contracts whose term ended in 2019 were presented in line with the requirements of the standard; the Group did not opt to recognise them as short-term leases.

IFRS 16 introduces a new definition of a lease based on the concept of control over use of the asset. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases, unless the underlying asset is of low value. Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right-of-use is conveyed where the lessee has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use in the period.

At the commencement date, the lessee recognises a right-of-use asset and a lease liability, measured at the discounted expected cash flows from the contract, except for leases where the value of underlying assets is not material. Expenditure related to the use of leased assets, included mainly in cost of core activities in previous reporting years, are now classified as depreciation and interest expense. The lessee separately recognises depreciation of the right-of-use asset and interest on the lease liability. Right-of-use assets are depreciated using the straight-line method, while the lease liabilities are settled using the effective interest rate.

Effect of IFRS 16

The Group analysed service contracts to identify contracts under which it uses assets owned by its suppliers. Group companies are lessees under contracts for lease of office space, vehicles, and IT equipment (see in Note 25).

The Group decided to apply the modified retrospective method without restating the comparative data. The cumulative effect of implementing IFRS 16 is recognised as an adjustment to equity (retained earnings) as at the date of initial application of the standard. As at the effective date of the new standard, i.e. January 1st 2019, the impact of IFRS 16 on (i) the Group's total assets was PLN 12,794 thousand (increase in the right-of-use assets), (ii) total liabilities – increase of PLN 13,930 thousand, (iii) accruals and deferred income – decrease of PLN 1,136 thousand, with no effect on retained earnings. As of 2019, the Group's right-of-use assets are amortised using the straight-line method over the expected useful life of assets. The structure of the Group's costs changed: operating lease payments were previously presented as office space lease costs; instead, starting from 2019, the Group recognises depreciation and finance cost (interest).

Recognition and measurement of lease liabilities

Following the adoption of IFRS 16, the Group recognises lease liabilities under leases previously classified as operating leases in accordance with IAS 17 *Leases*. These liabilities arise under property lease contracts and are measured at the present value of lease payments outstanding at the date of initial application of IFRS 16, discounted at the incremental borrowing rate.

At the date of initial recognition, lease payments included in the measurement of a lease liability include the following types of lease payments for the right to use the underlying asset over the lease term: (i) fixed lease payments less any lease incentives due, (ii) variable lease payments based on the value of market indices, (iii) amounts expected to be paid under the guaranteed residual value of the leased asset, (iv) the exercise price of the call option if it can be assumed with reasonable certainty that the option will be exercised, (v) termination penalty if the lessee can exercise the option to terminate the contract.

To calculate discount rates for the purposes of IFRS 16, the Group assumes that the discount rate should reflect the cost that it would have to pay to borrow the funds necessary to purchase assets with similar characteristics to the leased asset.

Measurement of right-of-use assets

The Group recognises a right-of-use asset in the amount equal to the lease liability adjusted for: (i) lease payments made at or prior to commencement of the lease, less any lease incentives received, (ii) initial direct costs incurred by the lessee to execute the lease contract, (iii) an estimate of costs to be incurred by the lessee related to the obligation to dismantle and remove the underlying asset or to restore the site.

Estimates

The implementation of IFRS 16 required making certain estimates and calculations that affect the measurement of lease liabilities and right-of-use assets. The estimates and calculations include: (i) determination of the lease term (for leases with an option to extend the lease, the Group has adopted a reasonably certain term), (ii) determination of the discount rate for future cash flows, (iii) determination of the depreciation rate.

Effect on the consolidated statement of financial position

The table below presents the effect of implementation of IFRS 16 on the recognition of additional liabilities and related right-of-use assets:

	Dec 31 2018 (without the effect of implementing IFRS 16)	Effect of implementing IFRS 16	Jan 1 2019 (including the effect of IFRS 16)
ASSETS	**259,698**	**12,794**	**272,492**
Including: right-of-use asset	-	12,794	12,794
EQUITY AND LIABILITIES	**259,698**	**12,794**	**272,492**
Including: lease liabilities	3,305	13,930	17,235
Including: accruals and deferred income	9,992	- 1,136	8,856

Below is presented reconciliation of the difference between future lease payments under irrevocable operating leases at the end of 2018 and lease liabilities recognised at the date of initial application of IFRS 16:

	Jan 1 2019 (including the effect of IFRS 16)
Operating lease liabilities as at Dec 31 2018 (undiscounted)	15,050
Effect of discounting at the Group's incremental borrowing rate	- 1,120
Finance liabilities under leases as at Jan 1 2019	**13,930**
Other adjustments affecting the right of use	- 1,136
Right of use as at Jan 1 2019	**12,794**

Effect on the consolidated statement of comprehensive income

In the Group's consolidated statement of comprehensive income, as of 2019 the Group changed the classification of costs (starting from 2019, lease rent is replaced with depreciation and interest expense) and the time of their recognition (costs related to leases are recognised earlier due to the recognition of interest expense using the effective interest rate method, which was previously applied exclusively to finance leases under IAS 17).

Effect on equity

The implementation of IFRS 16 had no effect on the Group's retained earnings or equity as at January 1st 2019.

5. New standards and interpretations which have been issued but are not yet effective

The following standards and interpretations have been published by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee but are not effective yet:

- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.* The accounting approach depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a business. Full gain or loss is recognised by the investor if the non-monetary assets constitute a business. If the assets do not meet the definition of a business, the investor recognises a partial gain or loss, excluding the part corresponding to other investors' interests. The effective date of the amended regulations has not been set by the International Accounting Standards Board.
- IFRS 17 *Insurance Contracts* – published on May 18th 2017, effective for annual periods beginning on or after January 1st 2021. The main objective of IFRS 17 is to ensure transparency and comparability of the insurers' financial statements. To this end, an entity will disclose quantitative and qualitative information to enable users of its financial statements to assess the impact of insurance contracts on the entity's financial position, financial performance and cash flows. IFRS 17 introduces a number of significant amendments to the existing IFRS 4 requirements.
- Amendments to IFRS 3 *Business Combinations* − effective for annual periods beginning on or after January 1st 2020. The amendments to IFRS 3 include a change in the definition of 'business'. Under the amended standard, the scope of the definition is narrower and will probably increase the proportion of acquisitions classified as asset acquisition.
- The conceptual framework for financial reporting, published in March 2018, provides a comprehensive overview of financial reporting matters, rules for establishing standards and guidelines for entities developing a consistent accounting policy. It also facilitates understanding and interpretation of standards. The conceptual framework includes new concepts, updated definitions and criteria for recognition of assets and liabilities, as well as explanation of significant concepts. It consists of eight sections: Section 1 – The objective of general purpose financial reporting; Section 2 – Qualitative characteristics of useful financial information; Section 3 – Financial statements and the reporting entity; Section 4 – The elements of financial statements; Section 5 – Recognition and derecognition; Section 6 – Measurement; Section 7 – Presentation and disclosure; Section 8 – Concepts of capital and capital maintenance.

  The conceptual framework was published together with the rationale for the changes. In addition, the IASB published a separate document entitled "Amendments to References to the Conceptual Framework in IFRS Standards", which presents amendments to the standards with a view to updating the references to the Conceptual Framework. In the case of two standards, IFRS 3 *Business Combinations* and IAS 8 *Accounting Policies, Changes in Accounting Estimates* and correction of errors, exemptions have been introduced for the development of accounting policies with respect to regulatory accounts.
- Amendments to IFRS 9, IAS 39 and IFRS 7 – the IASB amended hedge accounting in connection with the planned reform of reference interest rates (WIBOR, LIBOR, etc.). These rates are often a hedged item, for example in the case of IRS hedges. The planned replacement of existing rates with new reference rates raised doubts as to whether the planned transaction is still highly probable, whether future

hedged cash flows are still expected or whether there is an economic link between the hedged item and the hedging item. The amendment to the standards specified that it should be assumed in the estimates that there will be no change in reference rates.

The amendments are effective for annual periods beginning on or after January 1st 2020. As the Group does not apply hedge accounting, the uncertainty related to interest rate derivatives will not affect its financial statements.

- IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Correction of Errors* – effective for annual periods beginning on or after January 1st 2020. The IASB published a new definition of "materiality". Amendments to IAS 1 and IAS 8 clarify the definition of materiality and improve the standards' consistency.

The Group will apply the amended standards as of January 1st 2020, unless a different effective date is provided. Upon initial application, the amended standards will have no material effect on the Group's consolidated financial statements.

The Group did not opt for early application the above standards, amendments, and interpretations.

6. Significant judgements and assumptions

6.1. Professional judgement

Where a given transaction does not fall within the scope of any standard or interpretation, the Company's Management Board relies on its subjective judgement to determine and apply accounting policies which will ensure that the consolidated financial statements contain only relevant and reliable information and that they:

- give a clear, true and fair view of the Group's assets, its financial condition, results of operations and cash flows,
- reflect the economic substance of transactions,
- are objective,
- conform with the principles of prudent valuation,
- are complete in all material respects.

When preparing the financial statements, the Group makes judgements and assumptions which affect the amounts of assets and liabilities disclosed in the subsequent period. The judgements and assumptions are subject to ongoing review and are based on past experience and other factors, including expectations as to future events which seem justified in a given situation.

The subjective judgements made as at December 31st 2019 and details regarding judgements and assumptions are presented in Note 6.2.

6.2. Estimation uncertainty

As certain items presented in the consolidated financial statements cannot be measured accurately, estimates need to be made in the preparation of the consolidated financial statements. The Group reviews such estimates taking into account changes in the factors on which such estimates were based, new information and past experience. Therefore, the estimates made as at December 31st 2019 may be changed if their underlying assumptions change or if the Group becomes aware of any facts affecting the estimates. For information on the key estimates, see the following Notes:

Note		Disclosure
8.7.2	Impairment losses on receivables	Main assumptions underlying the computation of expected credit loss
8.4 and 8.5	Useful lives of property, plant and equipment and intangible assets	Useful lives and depreciation/amortisation methods are reviewed at the end of each reporting period or more frequently
25	Right-of-use asset and Lease liabilities	Assumptions made to calculate the estimated amount of assets and liabilities (contract term, discount rate)
8.12.1	Accruals and deferred income	Assumptions underlying estimates of liability amounts
14.2	Provisions for litigations, fines and damages	Assumptions underlying estimates of liability amounts

7. Changes in estimates

In the reporting period, there were no changes in estimates other than changes in accruals and deferred income, impairment losses on receivables and depreciation/amortisation, as discussed in Notes 14.1.1, 12.2.1, 12.6 and 12.7.

8. Significant accounting policies

8.1. Consolidation

These consolidated financial statements include the financial statements of IPOPEMA Securities S.A. and the financial statements of its subsidiaries prepared for the years ended December 31st 2019 and December 31st 2018 (in the case of the statement of comprehensive income, the statement of cash flows and the statement of changes in equity) and as at December 31st 2019 and December 31st 2018 (in the case of the statement of financial position). IPOPEMA Financial Advisory Sp. z o.o. was not consolidated as its effect on the Group's financial data was immaterial.

Subsidiaries are investees controlled by the Group. An investor controls an investee when it has power over the investee, it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Entities are consolidated from the date the parent assumes control over them, and cease to be consolidated from the date such control is lost.

The financial statements of the subsidiaries were prepared for the same reporting period as the financial statements of the parent, using uniform accounting policies, and with accounting policies consistently applied to economic events and transactions of similar nature. Adjustments were made to eliminate any inconsistencies in the applied accounting policies. The consolidated financial statements combine items of assets, liabilities, equity, income and expenses of the parent with those of its subsidiaries, and eliminate the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary.

Any balances and transactions of significant value between Group companies, including unrealised gains from intra-Group transactions, were fully eliminated. Unrealised losses were eliminated unless they was evidence of impairment.

A non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the parent. Non-controlling interests are presented by the Group in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent.

Business combinations of entities under common control are accounted for using the predecessor value method, where assets and liabilities of the acquiree are not measured at fair value but they are recorded by the acquirer in its financial statements at the acquired amounts as disclosed in the consolidated financial statements prepared by the higher-tier entity which controls the entities involved in the business combination. The result of a combination of entities under common control is recognised in the separate financial statements of the acquirer under equity, as retained earnings or deficit.

The companies whose scale of business is immaterial relative to the scale of business of the Group are not consolidated; instead, they are measured at cost less impairment losses.

8.2. Correction of errors

No corrections of errors were made in these consolidated financial statements.

8.3. Translation of foreign-currency items

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

1) the exchange rate actually applied on the transaction date, resulting from the nature of the transaction – in the case of sale or purchase of foreign currencies and payment of receivables or liabilities,

2) the mid-rate quoted for a given currency by the National Bank of Poland (the 'NBP') on the day preceding the transaction date – in the case of payment of receivables or liabilities, if the application of the exchange rate specified in item 1 is not justified, and in the case of other transactions.

As at the end of the reporting period, monetary assets and liabilities denominated in currencies other than the Polish złoty are translated into the złoty at the mid-rate quoted by the NBP for a given currency, in effect at the end of the reporting period. Currency translation differences are recognised in finance income or costs, as appropriate.

The following exchange rates were used to determine the carrying amounts:

Currency	Dec 31 2019	Dec 31 2018
USD	3.7977	3.7597
EUR	4.2585	4.3000
HUF 100	1.2885	1.3394
GBP	4.9971	4.7895
CZK	0.1676	0.1673
CHF	3.9213	3.8166
TRY	0.6380	0.7108
JPY 100	3.4959	3.4124
NOK	0.4320	0.4325
CAD	2.9139	2.7620
SEK	0.4073	0.4201
DKK	0.5700	0.5759
AUD	2.6624	2.6549
RON	0.8901	0.9229

** Source: National Bank of Poland.*

8.4. Property, plant and equipment

Property, plant and equipment are disclosed at cost less depreciation charges and impairment losses, if any. 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 an asset has been placed in service, such as costs of maintenance or repair, are charged to the consolidated statement of comprehensive income when incurred.

Upon acquisition, items of property, plant and equipment are divided into components of material value to which separate useful economic lives can be assigned.

Spare parts and service parts of material value recognised under property, plant and equipment are depreciated over their expected useful economic lives, which, however, may not be longer than the useful lives of the serviced items of property, plant and equipment.

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful life of an asset. The depreciation/amortisation rates applied by the Group are presented in the table below:

Type of asset	Depreciation/amortisation rate
Plant and equipment	10%- 20%
Office equipment	20%- 44.50%
Computers	20%–30%
Buildings and premises	14%
Intangible assets	20%–50%

If during the preparation of the consolidated financial statements any circumstances are identified indicating that the carrying amount of an asset may not be recoverable, such asset is tested for impairment. If there is indication of impairment and the carrying amount of an asset exceeds its estimated recoverable amount, then the carrying amount of the asset is reduced to the recoverable amount. The recoverable amount is equal to the higher of the fair value less cost to sell or the value in use. To calculate the value in use, the Group discounts the expected future cash flows to their present value using a pre-tax discount rate which reflects current market assessments of the time value of money and the risk specific to a given asset. Impairment losses are recognised in the consolidated statement of comprehensive income under other expenses.

Items of property, plant and equipment may be derecognised from the consolidated statement of financial position following their disposal or if no further economic benefits are expected to be derived from their continued use. Gains or losses arising on derecognition of a given asset from the consolidated statement of financial position (calculated as the difference between net proceeds from its disposal, if any, and the carrying amount of the asset) are posted to the consolidated statement of comprehensive income.

Residual values, useful lives and methods of depreciation of assets are reviewed and, if necessary, adjusted at the end of each financial year.

8.5. Intangible assets

Intangible assets acquired in a separate transaction are initially measured at cost. Following initial recognition, intangible assets are measured at cost less accumulated amortisation and impairment losses, if any.

The amortisation periods of intangible assets range from two to five years, depending on the type of an asset.

The Group determines whether intangible assets have definite or indefinite useful lives. Intangible assets with definite useful lives are amortised throughout their useful lives and tested for impairment each time there is an indication of impairment. The amortisation period and the amortisation method for an intangible asset with a definite useful life 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. The Group does not hold any intangible assets with indefinite useful lives. Consequently, all intangible assets are amortised.

8.6. Leases

For each contract concluded on or after January 1st 2019, the Group decides whether the contract is or contains a lease. A lease is defined as a contract or part of a contract that conveys the right to control the use of an identified asset (the underlying asset) for a period of time in exchange for consideration. To this end, three main aspects are analysed:

- whether a contract refers to an identified asset which is either clearly identified in the contract or in an implied manner when the asset is made available to the Group,
- whether the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use specified in the contract,
- whether the Group has the right to direct the use of an identified asset throughout the period of use.

As at the commencement date, the Group recognises a right-of-use asset and a lease liability. A right-of-use asset is initially measured at cost consisting of the initial amount of the lease liability, initial direct costs, an estimate of the costs expected to be incurred to dismantle the underlying asset and the lease payments made at or before the commencement date, less any lease incentives.

The Group depreciates right-of-use assets on a straight-line basis from the commencement date to the end of the right-of-use period or to the end of the lease term, whichever is earlier. If there is any indication of that a right-of-use asset may have been impaired, the asset is tested for impairment in accordance with IAS 36.

At the commencement date, the Group measures the lease liability at the present value of outstanding lease payments using the interest rate lease, if the rate can be readily determined. If the rate cannot be readily determined, the lessee uses the lessee's incremental borrowing rate.

Lease payments included in the value of a lease liability consist of fixed lease payments, variable lease payments based on an index or rate, expected amounts to be paid as a guaranteed residual value, and payments for a call option if its exercise is reasonably certain.

In subsequent periods, lease liabilities are reduced by payments made and increased by accrued interest. Measurement of a lease liability is updated to reflect changes in the contract and reassessment of the lease term, exercise of a purchase option, guaranteed residual value or lease payments based on an index or rate. As a rule, remeasurement is recognised as adjustment to the carrying amount of a right-of-use asset.

The Group applies standard-permitted practical expedients for short-term leases and leases with low-value underlying assets (i.e. the initial value of the leased asset does not exceed USD 5 thousand). In such contracts, instead of recognising a right-of-use asset and a lease liability, the lease payments are recognised in profit or loss on a straight-line basis over the lease term.

8.7. Financial assets

8.7.1. Categories of financial assets

Financial assets are classified by the Group 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,
– investments in equity instruments measured at fair value through other comprehensive income.

Financial assets are so classified on initial recognition, depending on the Group's business model for managing financial assets and the nature of contractual cash flows from these instruments.

Financial liabilities are classified by the Group into the following categories:

- financial liabilities at fair value through profit or loss (including financial instruments),
- financial liabilities at amortised cost.

The Group classifies each financial instrument into a given category upon initial recognition.

Financial assets and financial liabilities measured at fair value through profit or loss

A financial asset is measured at fair value through profit or loss if it is not measured at amortised cost or at fair value through other comprehensive income.

Financial assets acquired in transactions on the regulated market are recognised as at the transaction date at cost, i.e. at the fair value of the instrument, whereas financial liabilities are first recognised in the accounting books at the contract date at the fair value of the instrument.

As at each reporting date, financial assets measured at fair value through profit or loss are measured and any gains or losses are recognised as income or expense on finance instruments measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss held by the Group are shares listed on the Warsaw and Budapest Stock Exchanges, and a currency forward. For measurement purposes, the Group takes into account closing prices quoted on the Warsaw Stock Exchange (the 'WSE') and the Budapest Stock Exchange (the 'BSE') on the last business day of the reporting period.

The Group does not apply hedge accounting.

Financial assets measured at fair value through other comprehensive income.

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

- it is managed in accordance with the business model the objective of which is to both collect the contractual cash flows and sell the financial asset,

- the contractual terms of the asset give rise to cash flows on specified dates, with the cash flows being solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value through other comprehensive income are disclosed as at the transaction date at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value, and any changes in the fair value (other than impairment losses and foreign exchange gains and losses) are recognised in other comprehensive income and presented in equity as revaluation reserve. When an investment is derecognised, the gain or loss accumulated in revaluation reserve is reclassified to retained earnings as a reclassification adjustment.

The fair value of equity instruments traded on an active market is based on their current purchase price. If there is no active market for a given financial asset or unlisted securities, the Group determines their fair value using valuation techniques. These include the use of recent arm's length market transactions, reference to other instruments that are substantially the same, and analysis of discounted cash flows, making maximum use of market inputs; in certain cases, the purchase price may be the best estimate.

Investments in equity instruments measured at fair value through other comprehensive income.

Equity instruments measured through other comprehensive income include in particular investment fund shares and investment certificates purchase for the purpose of investing surplus funds. They are disclosed under non-current assets unless the Group intends to sell them within 12 months of the reporting date.

Investment certificates and fund shares are recognised at fair value, based on the net asset value per certificate/share as published by the investment fund in consultation with the depositary. Remeasurement gains and losses are posted under other comprehensive income. Subsequent to initial recognition, they are measured at fair value, and changes in the fair value are recognised in other comprehensive income and presented in equity as revaluation reserve.

Financial liabilities measured at amortised cost

Other financial liabilities, including bank borrowings and lease liabilities, are initially measured at fair value less transaction costs and subsequently at amortised cost (interest expense is measured using the effective interest rate method). The effective interest rate method is a method of calculating the amortised cost of a liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future payments or receipts over the expected life of a financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability.

The Group derecognises a financial liability when, and only when, the Group's obligation specified in the contract is discharged or cancelled or expires.

8.7.2. Short-term receivables

Short-term receivables are financial assets measured at amortised cost. This asset class includes receivables from clients, receivables from related entities other than consolidated entities, receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses on account of concluded transactions and all or part of receivables on account of other titles not carried as financial assets, which fall due within 12 months from the end of the reporting period.

Receivables are initially recognised in accordance with IFRS 15 and measured as at the end of the reporting period at amortised cost. The carrying amount of receivables is revised based on the expected credit losses model. As of January 1st 2018, allowance for expected credit losses is recognised at the time of initial recognition of receivables. As permitted by the standard, a simplified approach is applied in the Group's financial statements to trade receivables that do not contain a significant financing component and to lease receivables, with the impairment loss measured at an amount equal to lifetime expected credit losses.

The Group applied a portfolio approach to recognition of impairment losses, with impairment losses ranging from 0.02% for non-delinquent receivables to 73.1% for receivables overdue more than one year. If there are indications that a credit loss may have occurred, the Group may recognise impairment losses for individual assets. Changes in allowances for expected credit losses are recognised in profit or loss.

Credit risk related to security deposits held at banks, receivables on account of stock-exchange transactions, deposits held at clearing houses and public receivables is assessed as low and the effect of the credit loss allowance on the consolidated financial statements has been disregarded.

A significant item among the Group's short-term receivables are receivables from clients arising from stock-market transactions. These include receivables from clients, short-term receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses, current liabilities to clients and current liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses arising in connection with transaction to buy or sell securities which have not yet been cleared given the nature of the transaction clearing procedure (T+2). In the case of buy transactions executed on stock exchanges on behalf of clients whose accounts are maintained by custodian banks, the Group recognises current liabilities towards banks conducting brokerage activities, other brokerage houses and commodity brokerage houses (market counterparties)* and short-term receivables from the clients on behalf of whom such buy transactions are executed. In the case of sell transactions executed on stock exchanges on behalf of clients whose accounts are maintained by custodian banks, the Group recognises short-term receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses (market counterparties)* and current liabilities towards the clients on behalf of whom such sale transactions are executed.

** Pursuant to Art. 45h of the amended Act on Trading in Financial Instruments, in the case of transactions executed on the WSE, KDPW CCP (the clearing agent) assumed the rights and obligations of market counterparties.*

8.7.3. Long-term receivables

Non-current receivables are receivables whose term to maturity is longer than 12 months from the end of the reporting period.

8.7.4. Loans

Loans satisfy the requirements of IFRS 9 and are measured at amortised cost using the effective interest method. The carrying amount of loans is considered to be a reasonable approximation of their fair value.

The Group does not recognise impairment losses on loans due to their insignificant amount and the low risk of default as these are loans to employees and associates.

8.8. Impairment losses

As at the end of each reporting period, the Group evaluates whether there is any indication that a non-financial asset may be impaired. Intangible assets which are not yet available for use are tested on an annual basis, regardless of whether there is an indication of impairment. These assets may be tested for impairment at any time during the year.

The following may indicate possible impairment of an asset:

- impairment of the market value of an asset during the period is much higher than it might have been expected as a result of passage of time and normal use,
- significant adverse technological, market, economic or legal changes have occurred during the reporting period or are likely to occur in the near future in the Group's operating environment or on the markets for which the asset is intended,

- market interest rates or other market rates of return on investment have increased during the period and the increase is likely to affect the discount rate applied to calculate the asset's value in use and reduce its recoverable amount,
- the carrying amount of the Group's net assets is higher than their market capitalisation,
- evidence exists for impairment of usefulness of an asset or physical damage to an asset,
- significant adverse changes in the current or expected scope or manner of use of an asset have occurred during the reporting period or are likely to occur in the near future,
- there is evidence, originating from internal reporting, for poorer than expected, current or future, economic performance of an asset.

8.9. Cash and cash equivalents

Cash and cash equivalents disclosed in the consolidated statement of financial position include cash in hand and at banks, as well as short-term deposits, with original terms to maturity not exceeding three months, together with any interest accrued for the period.

The balance of cash and cash equivalents shown in the consolidated statement of cash flows comprises the same cash and cash equivalent items.

8.10. Equity

Equity is recognised in the accounting books broken down into its individual components and in accordance with the rules set forth in the applicable laws and in the Company's Articles of Association. Share capital is recognised in the amount specified in the Company's Articles of Association and in the relevant entry in the National Court Register. Other components of equity include statutory reserve funds, revaluation capital reserve and other capital reserves.

Statutory reserve funds comprise share premium, that is the amount of issue proceeds in excess of the par value of the issued shares, less share issue costs.

Other capital reserves include revaluation capital reserve and other capital reserves related to the implementation of incentive schemes and dilution of shares.

Retained earnings include retained earnings/(losses) from prior years and profit/(loss) for the current reporting period.

8.11. Liabilities

8.11.1. Current liabilities

Current liabilities are liabilities which are payable within 12 months from the end of the reporting period. Liabilities are measured at amortised cost.

Current liabilities include all liabilities to customers, liabilities to non-consolidated related entities, liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses under executed transactions, liabilities to the Central Securities Depository of Poland (KDPW) and exchange clearing houses, and liabilities to entities operating regulated securities markets, as well as all other liabilities not classified as lease liabilities, non-current liabilities, accruals and deferred income or provisions for liabilities.

Current liabilities include overdraft facilities; the method of measuring such liabilities are described in 'Financial liabilities measured at amortised cost' above.

Recognition of current liabilities under executed transactions is discussed in 'Short-term receivables from clients, short-term receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses, current liabilities to clients and current liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses' above.

8.11.2. Non-current liabilities

Non-current liabilities are liabilities which are payable within more than 12 months from the end of the reporting period.

8.12. Provisions, accruals and deferred income

8.12.1. Accruals and deferred income

Accruals comprise liabilities in respect of goods or services which have been provided or rendered but have not been paid for, invoiced or formally agreed with the supplier, including amounts due to employees.

While in certain situations it is necessary to make an estimate of the amount or payment date for an item of accruals and deferred income, in general the degree of uncertainty is much smaller than in the case of provisions. The items recognised by the Group under accruals and deferred income include in particular: settlements relating to employee holidays or bonuses, as well as costs incurred but not invoiced or settled as at the reporting date.

8.12.2. Provisions

Provisions are recognised if the Group has a legal or constructive obligation resulting from a past event, the amount of such obligation can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

If the Group anticipates that the costs for which provisions have been recognised will be recovered, e.g. under an insurance agreement, the recovery of such funds is recognised as a separate asset, but only when is practically certain to occur. The cost related to a given provision is disclosed in the consolidated statement of comprehensive income after reduction by the amount of any recoveries.

In the consolidated statement of financial position, provisions are presented broken down into non-current and current provisions. Provisions are classified as non-current or current depending on when a given item will become an actual liability (whether within 12 months or more than 12 months from the end of the reporting period).

8.13. Accrual basis of accounting and matching principle

In determining its net profit/(loss), the Group takes into account all revenues and related expenses attributable to a given period, irrespective of the date of payment.

In order to match revenues to related expenses, expenses or revenues relating to future periods and expenses attributable to a given period which are yet to be incurred are posted under assets or liabilities, as applicable, of the given period. This means that expenses are accounted for on an accrual basis. Expenses attributable to a given reporting period which are yet to be incurred are recognised as liabilities (under accruals and deferred income).

8.14. Revenue from core activities

Under IFRS 15 *Revenue from Contracts with Customers*, revenue is recognised in the amount equal to the transaction price determined as consideration for transferring promised goods or services to a customer when control over the goods or services is transferred to the customer, net of amounts collected on behalf of third parties. Revenue comprises amounts received and receivable net of VAT. Revenue from contracts with customers is recognised at a point in time or over time, based on the measured progress towards complete satisfaction of a performance obligation.

The method of recognising revenue in the Group’s consolidated financial statements, including both amount and time of recognition, is defined under the following five-step model:

- identification of a contract with customer,
- identification of performance obligations under a contract,
- price determination,
- allocation of the price to performance obligations,
- recognition of revenue when/as performance obligations are satisfied.

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 the amount of variable consideration by applying the most likely amount method, which is the single most likely amount from the range of possible amounts of consideration.

The Group provides intermediation services in financial instrument trading, services consisting in the offering of financial instruments, as well as fund management and general advisory services. Revenue from intermediation in financial instrument trading, offering financial instruments and fund management is recognised on a one-off basis upon the Group’s satisfaction of the performance obligation.

Revenue from transactions in securities is derived from brokerage activities of IPOPEMA Securities, which acts as an intermediary in transactions executed on the equity market of the Warsaw and Budapest Stock Exchanges, as well as on the bond market. Revenue from transactions in securities depends on the trading volume and is recognised with each executed transaction.

If a service consists of an indeterminable number of activities performed over a specified period of time, then due to practical reasons revenue is recognised using the straight-line method (evenly) over the course of that period.

Revenue from advisory services provided by the Group companies is measured based on the progress towards complete satisfaction of a performance obligation and recognised over time based on the percentage of completion.

Revenue derived from the management of funds is recognised in the amount specified in the funds' articles of association or other binding document.

8.15. Gain/(loss) on transactions in financial instruments

8.15.1. Gain/(loss) on transactions in financial assets measured at fair value through profit or loss

Gain/(loss) on transactions in financial instruments measured at fair value through profit or loss includes dividends and other distributions from profit, interest, fair value measurement gain/(loss), and gain/(loss) on sale/redemption.

8.16. Finance income and costs

The Group’s finance income includes interest on deposits, interest on loans, interest on leases, other interest and foreign-exchange gains. Interest income is recognised in the consolidated statement of comprehensive income using the effective interest rate method.

The Group's finance costs include in particular borrowing costs, interest on borrowings, interest on leases, other interest, and foreign exchange and finance losses.

Foreign-exchange gains/losses on the collection or payment, as appropriate, and balance-sheet measurement of trade receivables and payables are posted to finance income or costs.

Borrowing costs are measured at amortised cost. Borrowing costs are expensed in the period in which they are incurred, except to the extent that they are capitalised.

The Group does not incur borrowing costs that are directly attributable to the acquisition, construction or production of an asset.

8.17. Income tax

8.17.1. Tax

Tax assets and liabilities for the current period and for previous periods are measured at the amount of the expected payment due to the tax authorities or expected refund from the tax authorities, as appropriate, with the use of tax rates and based on fiscal regulations legally or actually binding as at the end of the reporting period.

8.17.2. Deferred income tax

For the purposes of financial reporting, the Group recognises deferred tax liabilities using the balance-sheet liability method in relation to all temporary differences recorded as at the end of the reporting period between the value of assets and liabilities computed for tax purposes and their carrying amounts disclosed in the consolidated financial statements.

Deferred tax liabilities are recognised in relation to all taxable temporary differences.

Deferred tax assets are recognised in relation to all deductible temporary differences and unused tax losses.

The carrying amount of a deferred tax asset is reviewed as at the end of each reporting period and is subject to appropriate reduction to the extent it is no longer probable that taxable income sufficient for a partial or full realisation of this deferred tax asset would be generated.

Deferred tax assets and deferred tax liabilities are calculated using tax rates expected to be effective at the time of realisation of particular asset or reversal of particular liability, based on tax rates and fiscal regulations effective as at the end of the reporting period or tax rates and fiscal regulations which as at the end of the reporting period are certain to be effective in the future. The carrying amount of a deferred tax asset is reviewed as at the end of each reporting period and is subject to appropriate reduction to the extent it is no longer probable that taxable income sufficient for a partial or full realisation of this deferred tax asset would be generated.

9. Earnings per share

For each period, earnings per share are computed as the quotient of the net profit attributable to the parent for the period and the weighted average number of shares in the period.

To obtain diluted earnings per share, the weighted average number of shares in the period is adjusted to account for all potentially dilutive ordinary shares. As there were no dilutive shares, the amounts of basic earnings per share and diluted earnings per share in the reporting period were the same.

	Dec 31 2019	Dec 31 2018
Number of shares	29,937,836	29,937,836
Weighted average number of shares	29,937,836	29,937,836
Diluted number of shares	29,937,836	29,937,836
Earnings from continuing operations		

- basic	0.10	- 0.10
- diluted	0.10	- 0.10

10. Seasonality of operations

The Group’s operations are not subject to seasonality and the presented results do not show any material fluctuations during the year.

11. Operating segments

For management purposes, the Group is divided into separate segments based on types of services provided. There are therefore the following reporting operating segments:

1) The segment of brokerage and related services, comprising the business of (i) IPOPEMA Securities, i.e. brokerage and investment banking activities, distribution of investment products, investment advisory services addressed to a broad range of retail investors, and (ii) IFA SK, i.e. advisory services related to corporate financial restructuring and finance raising for infrastructure projects.
2) The segment of investment fund and portfolio management, comprising the business of IPOPEMA TFI, i.e. creation and management of investment funds as well as management of portfolios of broker-traded financial instruments.
3) The segment of advisory services, comprising the services of IPOPEMA Business Consulting, which focuses on business and management advisory, computer facilities management, computer advisory and software-related activities.

Jan 1–Dec 31 2019	Continuing operations				Discontinued operations	Total operations
	Brokerage and related services	Investment fund and portfolio management	Advisory services	Total		
Revenue						
Segment's total revenue, including:	37,242	74,432	29,181	140,855	-	140,855
- to clients for each of whom the value of transactions in the period exceeds 10% of revenue, including:	-	19,776	-	-	-	19,776
(i) Client 1	-	19,776	-	-	-	19,776
Intersegment sales	- 513	-	-	- 513	-	- 513
Consolidation eliminations	- 350	-	-	- 350	-	- 350
Sales to external clients	**36,379**	**74,432**	**29,181**	**139,992**	**-**	**139,992**
Segment's costs						
Segment's costs – purchases from external suppliers	- 35,936	- 71,187	- 28,439	- 135,562	-	- 135,562
Segment's costs – intersegment purchases	-	513	-	513	-	513
Consolidation eliminations	350	-	-	350	-	350
Segment's total costs, including:	**- 35,586**	**- 70,674**	**- 28,439**	**- 134,699**	**-**	**- 134,699**
Depreciation and amortisation	2,868	1,443	574	4,885	-	4,885
Segment's profit/(loss) on core activities	**793**	**3,758**	**742**	**5,293**	**-**	**5,293**
Unallocated costs	-	-	-	-	-	-
Profit/(loss) from continuing operations before tax and finance costs	793	3,758	742	5,293	-	5,293
Interest income	263	193	192	648	-	648
Interest expense	- 1,227	- 165	- 187	- 1,579	-	- 1,579
Other net finance income/expenses	- 990	- 2	- 14	- 1,006	-	- 1,006
Other income/expenses	1,098	342	- 18	1,422	-	1,422
Consolidation eliminations	- 400	- 62	-	- 462	-	- 462
Profit/(loss) before tax and non-controlling interests	**- 463**	**4,064**	**715**	**4,316**	**-**	**4,316**
Income tax	- 130	790	134	794	-	794
Consolidation eliminations	-	- 12	-	- 12	-	- 12
Total corporate income tax	- 130	778	134	782	-	782
Net profit/(loss) for the financial year	**- 333**	**3,286**	**581**	**3,534**	**-**	**3,534**

Assets and liabilities as at Dec 31 2019

Segment's assets	203,584	48,138	19,478	271,200	-	271,200
Other assets not allocated to segments	-	-	-	-	-	-
Total assets	**203,584**	**48,138**	**19,478**	**271,200**	**-**	**271,200**
Segment's liabilities	153,614	14,540	10,460	178,614	-	178,614
Accruals and deferred income	2,075	6,757	10	8,842	-	8,842
Segment's net profit/(loss)	- 333	3,286	581	3,534	-	3,534
Equity (net of profit/loss for current period)	46,000	25,074	4,946	76,020	-	76,020
Non-controlling interests	63	-	4,127	4,190	-	4,190
Total equity and liabilities	**201,419**	**49,657**	**20,124**	**271,200**	**-**	**271,200**
Other segment data for 2019						
Capital expenditure, including:	323	302	187	812	-	812
Property, plant and equipment	214	302	161	677	-	677
Intangible assets	109	-	26	135	-	135
Depreciation of property, plant and equipment	670	318	137	1,125	-	1,125
Amortisation of intangible assets	524	43	28	595	-	595
Depreciation of right-of-use assets	1,674	1,082	409	3,165	-	3,165
Impairment losses	-	-	-	-	-	-
Other	-	-	-	-	-	-

No geographical segments are reported by the Group, as a vast majority of its revenue is generated in Poland. Foreign revenue earned in 2019 did not exceed 1.9% (PLN 2,723 thousand) of total revenue from core operations. The Group's property, plant, equipment and intangible assets are located in Poland.

Jan 1–Dec 31 2018	Continuing operations				Discontinued operations	Total operations
	Brokerage and related services	Investment fund and portfolio management	Advisory services	Total		
Revenue						
Segment's total revenue, including:	33,141	40,579	25,149	98,869	-	98,869
- to clients for each of whom the value of transactions in the period exceeds 10% of revenue	-	-	-	-	-	-
Intersegment sales	- 291	-	-	- 291	-	- 291
Consolidation eliminations	- 470	-	-	- 470	-	- 470
Sales to external clients	**32,380**	**40,579**	**25,149**	**98,108**	**-**	**98,108**
Segment's costs						
Segment's costs – purchases from external suppliers	- 36,036	- 39,954	- 23,152	- 99,142	-	- 99,142
Segment's costs – intersegment purchases	-	291	-	291	-	291
Consolidation eliminations	470	-	-	470	-	470
Segment's total costs, including:	**- 35,566**	**- 39,663**	**- 23,152**	**- 98,381**	**-**	**- 98,381**
Depreciation and amortisation	- 1,690	- 454	- 89	- 2,233	-	- 2,233
Segment's profit/(loss) on core activities	**- 3,186**	**916**	**1,997**	**- 273**	**-**	**- 273**
Unallocated costs	-	-	-	-	-	-
Profit/(loss) from continuing operations before tax and finance costs	- 3,186	916	1,997	- 273	-	- 273
Interest income	232	208	240	680	-	680
Interest expense	- 1,222	- 16	- 174	- 1,412	-	- 1,412
Other net finance income/expenses	- 1,214	176	70	- 968	-	- 968
Other income/expenses	66	240	- 23	283	-	283
Consolidation eliminations	- 592	- 212	-	- 804	-	- 804
Profit/(loss) before tax and non-controlling interests	**- 5,916**	**1,312**	**2,110**	**- 2,494**	**-**	**- 2,494**
Income tax	- 1,104	310	369	- 425	-	- 425
Consolidation eliminations	-	- 40	34	- 6	-	- 6
Total corporate income tax	- 1,104	270	403	- 431	-	- 431
Net profit/(loss) for the financial year	**- 4,812**	**1,042**	**1,707**	**- 2,063**	**-**	**- 2,063**

Assets and liabilities as at Dec 31 2018						
Segment's assets	206,193	35,907	17,598	259,698	-	259,698
Other assets not allocated to segments	-	-	-	-	-	-
Total assets	**206,193**	**35,907**	**17,598**	**259,698**	**-**	**259,698**
Segment's liabilities	156,415	4,792	8,092	169,299	-	169,299
Accruals and deferred income	2,670	7,234	88	9,992	-	9,992
Segment's net profit/(loss)	- 4,812	1,042	1,707	- 2,063	-	- 2,063
Equity (net of profit/loss for current period)	50,881	23,849	4,020	78,750	-	78,750
Non-controlling interests	- 24	-	3,744	3,720	-	3,720
Total equity and liabilities	**205,130**	**36,917**	**17,651**	**259,698**	**-**	**259,698**
Other segment data for 2018						
Capital expenditure, including:	166	139	190	495	-	495
Property, plant and equipment	124	134	158	416	-	416
Intangible assets	42	5	32	79	-	79
Depreciation of property, plant and equipment	1,059	337	61	1,457	-	1,457
Amortisation of intangible assets	631	117	28	776	-	776
Impairment losses	-	-	-	-	-	-
Other	-	-	-	-	-	-

No geographical segments are reported by the Group, as a vast majority of its revenue is generated in Poland. Foreign revenue earned in 2018 did not exceed 14% (PLN 3,973 thousand) of total revenue from core operations. The Group's property, plant, equipment and intangible assets are located in Poland.

12. Notes to the consolidated statement of financial position – assets

12.1. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise the following items:

	Dec 31 2019	Dec 31 2018
Cash in hand	3	2
Cash at banks	26,718	27,411
Other cash (short-term deposits)	35,976	19,485
Cash equivalents	16	40
Total cash	**62,713**	**46,938**
Including cash in hand and cash at banks attributed to discontinued operations	-	-

	Dec 31 2019	Dec 31 2018
Cash in PLN	49,938	36,405
Cash in EUR	7,737	5,980
Cash in USD	3,465	3,349
Cash in HUF	258	248
Cash in TRY	66	16
Cash in RON	19	27
Cash in other currencies	1,230	913
Total cash	**62,713**	**46,938**

	Dec 31 2019	Dec 31 2018
Cash and other assets	33,878	31,124
Cash and other assets of clients deposited in cash accounts at the brokerage house and paid towards acquisition of securities in an IPO or on the primary market	20,835	15,814
Cash in escrow account	8,000	-
Cash and other assets transferred from the settlement guarantee fund	-	-
Total cash	**62,713**	**46,938**

Free cash is deposited in bank accounts and invested in term and overnight deposits. Short-term deposits are placed for periods ranging from one day to several months, depending on the Group's cash requirement at a given time, and bear interest at variable or fixed interest rates, set by reference to the interest rate for overnight bank deposits. Short-term deposits are presented under other cash. Deposits maturing in more than three months are presented under cash equivalents.

Clients' cash deposited in the parent's bank account, in the amount of PLN 20,835 thousand as at December 31st 2019 and PLN 15,814 thousand as at December 31st 2018, is also disclosed under other cash.

12.2. Receivables

Short-term receivables		**Dec 31 2019**	**Dec 31 2018**
1.	From clients / trade receivables	60,612	65,587
a)	under deferred payment arrangements	-	-
b)	under past due receivables and disputed claims for which no impairment losses were recognised	-	-
c)	from clients under executed transactions	33,751	44,394
	- transactions on the Warsaw Stock Exchange	32,331	37,931
	- transactions on the Budapest Stock Exchange	-	4,287
	- transactions on the Prague Stock Exchange	-	1,491
	- transactions on the London Stock Exchange	282	-
	- transactions on the Istanbul Stock Exchange	1,091	-
	- executed on the Frankfurt Stock Exchange	32	-
	- transactions on the New York Stock Exchange	15	685

d)	other	26,861	21,193
2.	From related entities	-	-
3.	From banks conducting brokerage activities, other brokerage houses and commodity brokerage houses*	94,861	81,658
a)	under transactions	66,096	44,491
	- transactions on the Warsaw Stock Exchange*	60,246	42,020
	- transactions on the Budapest Stock Exchange	-	104
	- transactions on the New York Stock Exchange	2,940	2,308
	- transactions on the Zurich Stock Exchange	660	-
	- transactions on the Toronto Stock Exchange	1,036	-
	- executed on the Frankfurt Stock Exchange	952	-
	- executed on the Paris Stock Exchange	262	59
b)	other	28,765	37,167
4.	From the Central Securities Depository of Poland and exchange clearing houses	15,680	32,285
	- from the clearing guarantee fund	15,680	32,285
5.	From investment and pension fund companies and from investment and pension funds	8,594	4,661
6.	Taxes, subsidies and social security receivable	199	184
7.	Under litigation, not covered by recognised impairment losses on receivables	-	-
8.	Under framework securities lending and short sale agreements	1,195	-
9.	Other	1,390	431
Total short-term receivables		**182,531**	**184,806**

** In accordance with Art. 45h of the amended Act on Trading in Financial Instruments, short-term receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses under executed transactions, where such transactions are executed on the WSE, include receivables from KDPW CCP (the clearing agent, which has assumed the rights and obligations of the parties to the transactions).*

Short-term receivables and current liabilities are recognised predominantly in connection with executed buy and sell transactions in securities, not yet settled at clearing houses.

In the case of buy transactions executed on stock exchanges on behalf of clients whose accounts are maintained by custodian banks, the Group recognises liabilities towards the parties to market transactions (banks conducting brokerage activities, other brokerage houses and commodity brokerage houses, known as anonymous transaction counterparties) and receivables from the clients on behalf of whom such buy transactions have been executed. In the case of sell transactions executed on stock exchanges on behalf of clients whose accounts are maintained by custodian banks, the Group recognises receivables from the market counterparties and liabilities towards the clients on behalf of whom such sell transactions are executed.

Impairment losses recognised due to expected credit losses reduce the carrying amount of the impaired receivables.

Gross short-term receivables by currency	Dec 31 2019	Dec 31 2018
a) in PLN	147,499	139,547
b) in other currencies (translated into PLN)	35,818	46,960
Total gross short-term receivables	**183,317**	**186,507**

12.2.1. Age of receivables

Short- and long-term receivables by maturity from reporting date	Dec 31 2019	Dec 31 2018
a) up to 1 month	168,200	170,910
b) over 1 month to 3 months	6,388	6,450
c) over 3 months to 1 year	4,089	4,048
d) over 1 year to 5 years	2,882	3,639
e) over 5 years	-	-
f) past due	4,640	5,099
Total gross receivables	**186,199**	**190,146**
g) impairment losses on receivables (negative value)	- 786	- 1,701
Total net receivables	**185,413**	**188,445**

Gross past due receivables by period of delay:	Dec 31 2019	Dec 31 2018
a) up to 1 month	1,994	1,307
b) over 1 month to 3 months	594	496
c) over 3 months to 1 year	1,398	239
d) over 1 year to 5 years	654	3,057
e) over 5 years	-	-
Total gross receivables	**4,640**	**5,099**
f) impairment losses on receivables (negative value)	- 786	- 1,701
Total net receivables	**3,854**	**3,398**

12.3. Current prepayments and accrued income

	Dec 31 2019	Dec 31 2018
a) prepayments, including:	1,234	1,239
cost of ICT and information services	449	389
cost of office space lease	215	213
expenses to be re-invoiced	-	4
other	570	633
Total prepayments and accrued income	**1,234**	**1,239**

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

	Dec 31 2019	Dec 31 2018
- shares	82	9,709
- derivative instruments	226	47
Financial assets measured at fair value through profit or loss, total	**308**	**9,756**

Shares comprise solely shares listed on the Warsaw Stock Exchange and on the Budapest Stock Exchange. Financial assets are measured at fair value by reference to their market value as at the reporting date. For the purpose of the measurement, the Company takes into account closing prices quoted by the WSE and the BSE on the last business day of a financial year. Movements in the carrying amount of those financial instruments are recognised as income or expenses from financial assets measured at fair value through profit or loss. As at the reporting date, the Company held 211 shares with a total carrying amount of PLN 82 thousand. All the shares are traded on the Warsaw Stock Exchange. As at December 31st 2018, the Company held 278,121 shares with a total carrying amount of PLN 9,709 thousand.

For information on gains and losses recognised in financing activities related to this category of financial assets, see Note 15.4.

12.5. Equity instruments through other comprehensive income

As at December 31st 2019, the carrying amount of equity instruments through other comprehensive income held by the Group was PLN 4,972 thousand, compared with PLN 6,299 thousand as at December 31st 2018. This item includes investment certificates and fund shares with a total carrying amount of PLN 4,958 thousand (December 31st 2018: PLN 6,285 thousand).

12.6. Property, plant and equipment

As at December 31st 2019

MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT	Land	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Property, plant and equipment under construction	TOTAL
a) gross value of property, plant and equipment at beginning of period	**-**	**880**	**8,039**	**932**	**1,769**	**-**	**11,620**
b) increase, including:	**-**	**-**	**429**	**132**	**22**	**515**	**1,098**
- purchases and lease	-	-	306	55	8	515	884
- transfer from investments	-	-	123	77	14	-	214
c) decrease	**-**	**-**	**3**	**614**	**-**	**365**	**982**

- liquidation	-	-	3	156	-	-	159
- reclassification to another category	-	-	-	458	-	365	823
d) gross value of property, plant and equipment at end of period	**-**	**880**	**8,465**	**450**	**1,791**	**150**	**11,736**
e) accumulated depreciation at beginning of period	**-**	**548**	**6,891**	**353**	**1,440**	**-**	**9,232**
f) depreciation for period, including:	**-**	**67**	**764**	**- 187**	**79**	**-**	**723**
- annual depreciation charge		67	767	212	79	-	1,125
- liquidation	-	-	- 3	- 399	-	-	- 402
g) accumulated depreciation at end of period	**-**	**615**	**7,655**	**166**	**1,519**	**-**	**9,955**
h) impairment losses at beginning of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
i) impairment losses at end of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
j) net value of property, plant and equipment at beginning of period	**-**	**332**	**1,148**	**579**	**329**	**-**	**2,388**
k) net value of property, plant and equipment at end of period	**-**	**265**	**810**	**284**	**272**	**150**	**1,781**

As at December 31st 2018

MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT	Land	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Property, plant and equipment under construction	TOTAL
a) gross value of property, plant and equipment at beginning of period	**-**	**880**	**7,909**	**927**	**1,764**	**180**	**11,660**
b) increase, including:	**-**	**-**	**302**	**446**	**23**	**258**	**1,029**
- purchases and lease	-	-	146	170	17	258	591
- transfer from investments	-	-	156	276	6	-	438
c) decrease	**-**	**-**	**172**	**441**	**18**	**438**	**1,069**
- liquidation	-	-	172	441	18	-	631
- reclassification to another category	-	-	-	-	-	438	438
d) gross value of property, plant and equipment at end of period	**-**	**880**	**8,039**	**932**	**1,769**	**-**	**11,620**
e) accumulated depreciation at beginning of period	**-**	**481**	**5,990**	**491**	**1,368**	**-**	**8,330**
f) depreciation for period, including:	**-**	**67**	**901**	**- 138**	**72**	**-**	**902**
- annual depreciation charge		67	1,073	226	91	-	1,457
- liquidation	-	-	- 172	- 364	- 19	-	- 555
g) accumulated depreciation at end of period	**-**	**548**	**6,891**	**353**	**1,440**	**-**	**9,232**
h) impairment losses at beginning of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
i) impairment losses at end of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
j) net value of property, plant and equipment at beginning of period	**-**	**399**	**1,919**	**436**	**396**	**180**	**3,330**
k) net value of property, plant and equipment at end of period	**-**	**332**	**1,148**	**579**	**329**	**-**	**2,388**

12.6.1. Impairment losses

In 2019, no impairment losses were recognised with respect to property, plant and equipment.

12.7. Intangible assets

As at December 31st 2019

MOVEMENTS IN INTANGIBLE ASSETS (BY CATEGORY)	Cost of completed development work	Goodwill	Acquired permits, patents, licences and similar assets	Software	CO_2 emission allowances	Other intangible assets	TOTAL
a) gross value of intangible assets at beginning of period	**440**	**-**	**211**	**10,011**	**-**	**-**	**10,662**
b) increase, including:	**-**	**-**	**82**	**53**	**-**	**-**	**135**
- purchase / transfer from	-	-	82	53	-	-	135
c) decrease (including)	**-**	**-**	**-**	**-**	**-**	**-**	**-**
- liquidation	-	-	-	-	-	-	-
d) gross value of intangible assets at end of period	**440**	**-**	**293**	**10,064**	**-**	**-**	**10,797**
e) accumulated amortisation at beginning of period	**440**	**-**	**167**	**8,403**	**-**	**-**	**9,010**
f) amortisation for period:	**-**	**-**	**28**	**567**	**-**	**-**	**595**
- annual amortisation charge	-	-	28	567	-	-	595
g) accumulated amortisation at end of period	**440**	**-**	**195**	**8,970**	**-**	**-**	**9,605**
h) impairment losses at beginning of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
i) impairment losses at end of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
j) net value of intangible assets at beginning of period	**-**	**-**	**44**	**1,608**	**-**	**-**	**1,652**
k) net value of intangible assets at end of period	**-**	**-**	**98**	**1,094**	**-**	**-**	**1,192**

As at December 31st 2018

MOVEMENTS IN INTANGIBLE ASSETS (BY CATEGORY)	Cost of completed development work	Goodwill	Acquired permits, patents, licences and similar assets	Software	CO_2 emission allowances	Other intangible assets	TOTAL
a) gross value of intangible assets at beginning of period	**440**	**-**	**179**	**9,979**	**-**	**-**	**10,598**
b) increase, including:	**-**	**-**	**32**	**43**	**-**	**-**	**75**
- purchase / transfer from	-	-	32	43	-	-	75
c) decrease (including)	**-**	**-**	**-**	**11**	**-**	**-**	**11**
- liquidation	-	-	-	11	-	-	11
d) gross value of intangible assets at end of period	**440**	**-**	**211**	**10,011**	**-**	**-**	**10,662**
e) accumulated amortisation at beginning of period	**367**	**-**	**139**	**7,739**	**-**	**-**	**8,245**
f) amortisation for period:	**73**	**-**	**28**	**664**	**-**	**-**	**765**
- annual amortisation charge	73	-	28	675	-	-	776
- liquidation	-	-	-	- 11	-	-	- 11
g) accumulated amortisation at end of period	**440**	**-**	**167**	**8,403**	**-**	**-**	**9,010**
h) impairment losses at beginning of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
i) impairment losses at end of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
j) net value of intangible assets at beginning of period	**73**	**-**	**40**	**2,240**	**-**	**-**	**2,353**
k) net value of intangible assets at end of period	**-**	**-**	**44**	**1,608**	**-**	**-**	**1,652**

The cost of completed development work relates to a system implemented at the Group for keeping records of investors in the funds managed by IPOPEMA TFI.

12.7.1. Purchase and sale of intangible assets

In 2019, the total amount of purchases of intangible assets by the Group was PLN 135 thousand (2018: PLN 75 thousand). In 2019 and 2018, the Group did not sell any intangible assets.

The Group's intangible assets included development work, fully amortised as at December 31st 2019 and December 31st 2018.

12.7.2. Impairment losses

The Group did not identify any impairment of its assets in 2019 or 2018.

12.7.3. Amortisation of intangible assets

Amortisation of intangible assets is recognised in cost of core activities under 'Amortisation'. Amortisation was PLN 595 thousand in 2019 (2018: PLN 776 thousand).

13. Notes to the consolidated statement of financial position – equity

13.1. Share capital

The financial data concerning the share capital are presented in the złoty.

As at December 31st 2019 and December 31st 2018, the parent's registered share capital was PLN 2,993,783.60 and comprised 29,937,836 shares.

In 2019 and 2018, there were no changes in the parent's share capital. As at December 31st 2019 and December 31st 2018, the share capital was PLN 2,994 thousand and comprised:

- 7,000,000 Series A ordinary bearer shares,

- 21,571,410 Series B ordinary bearer shares, and

- 1,366,426 Series C ordinary bearer shares.

Share capital structure as at December 31st 2019

Shareholder	Number of shares and voting rights	Value of shares subscribed for (PLN)
OFE PZU Złota Jesień*	2,993,684	299,368
IPOPEMA PRE-IPO FIZAN[1]	2,990,789	299,079
JLC Lewandowski S.K.A.[2]	2,990,789	299,079
IPOPEMA 10 FIZAN[3]	2,851,420	285,142
Quercus Parasolowy SFIO*	2,827,552	282,755
Value FIZ*	2,750,933	275,093
Katarzyna Lewandowska	2,136,749	213,675
Total shareholders holding over 5% of the share capital	**19,541,916**	**1,954,191**

** Based on notifications received by the Company from the shareholders.*
[1] The main investors in the fund are Jacek Lewandowski, President of the Company's Management Board, and Katarzyna Lewandowska, his wife.
[2] Subsidiary of Jacek Lewandowski, President of the Company's Management Board.
[3] The only investor in the fund is Stanisław Waczkowski, Vice President of the Company's Management Board.

Share capital structure as at December 31st 2018

Shareholder	Number of shares and voting rights	Value of shares subscribed for (PLN)
OFE PZU Złota Jesień*	3,471,868	347,187
IPOPEMA PRE-IPO FIZAN[1]	2,990,789	299,079
JLC Lewandowski S.K.A.[2]	2,990,789	299,079
IPOPEMA 10 FIZAN[3]	2,851,420	285,142
Quercus Parasolowy SFIO*	2,827,552	282,755
Value FIZ*	2,750,933	275,093
Katarzyna Lewandowska	2,136,749	213,675
Total shareholders holding over 5% of the share capital	**20,020,100**	**2,002,010**

** Based on notifications received by the Company from the shareholders.*
[1] The main investors in the fund are Jacek Lewandowski, President of the Company's Management Board, and Katarzyna Lewandowska, his wife.
[2] Subsidiary of Jacek Lewandowski, President of the Company's Management Board.
[3] The only investor in the fund is Stanisław Waczkowski, Vice President of the Company's Management Board.

Par value of shares

The par value of all issued shares is PLN 0.10 per share. All issued shares have been paid up in full.

Shareholder rights

Each share of each series (A, B and C) confers the right to one vote. The shares of all series are ordinary shares, with no preference attached to them and with no restrictions on their disposal.

13.2. Other capital reserves

Reserve funds

Statutory reserve funds comprise share premium reduced by issue costs. The amount of share premium less the issue costs was PLN 10,351 thousand as at December 31st 2019 and December 31st 2018.

Revaluation capital reserve

Revaluation capital reserve is recognised upon measurement of equity instruments at fair value. In the event of sale or impairment of a financial asset measured at fair value, the effectively realised part of revaluation capital reserve related to this asset is reclassified to retained earnings.

	As at	
	Dec 31 2019	**Dec 31 2018**
Revaluation capital reserve at beginning of reporting period	72	173
Adjustment of gain/(loss) on financial instruments	163	-
Amount recognised in equity in reporting period	251	- 125
Deferred income tax	- 48	24
Accumulated profit/(loss) on equity investments in the year ended	**438**	**72**

Other capital reserves

As at December 31st 2019 and December 31st 2018, other capital reserves amounted to PLN 3,214 thousand.

Retained earnings and capital restrictions

The Commercial Companies Code requires that retained earnings of joint-stock companies should be allocated to statutory reserve funds until their amount reaches 1/3 of the share capital; the statutory reserve funds should be used exclusively to cover potential financial losses. In the case of the IPOPEMA Group, this regulation applies to IPOPEMA Securities and IPOPEMA TFI. The Company is required to allocate at least 8% of its current profit for this purpose until the required equivalent of 1/3 of the share capital has been accumulated. As at December 31st 2019 and December 31st 2018, this component of equity totalled PLN 998 thousand.

Retained earnings	Dec 31 2019	Dec 31 2018
Retained earnings/deficit	34,209	37,306
Net profit/loss for period	3,116	- 2,934
Aggregate capital adjustments resulting from transition to IAS/IFRS	24,814	24,814
Total retained earnings	**62,139**	**59,186**

Dividend

Dividend for a given year which has been approved by the General Meeting but has not been paid as at the end of the reporting period is disclosed as dividend payable in 'Other liabilities'. As at the end of the reporting period, IPOPEMA Business Consulting had not paid the dividend of PLN 1m to non-controlling interests.

13.3. Non-controlling interests

The carrying amount of non-controlling interests held by the shareholders

in IBC as at December 31st 2019 was PLN 4,393 thousand (December 31st 2018: PLN 4,527 thousand); and in IFA SK as at December 31st 2019 – was PLN 215 thousand (December 31st 2018: PLN 63 thousand).

13.4. Capital adequacy requirements

The parent IPOPEMA Securities is an institution referred to in Article 4(1) point 3 of Regulation No 575/2013 of the European Parliament and of the EU Council of 26 June 2013 on prudential requirements for investment institutions and firms, amending Regulation (EU) No 648/2012 (OJ L 176 of 27 June 2013, as amended) ("CRR") and as such it is subject in the reporting period to the capital adequacy requirements set forth in the CRR.

IPOPEMA Securities S.A. meets the conditions to be recognised as an EU parent institution and, therefore, in addition to the capital adequacy requirements on a separate basis, the Group is also obliged to meet the capital adequacy requirements on a consolidated basis. The Group's prudential consolidation comprises the Company and IPOPEMA TFI.

Non-compliance with capital adequacy requirements

In the reporting period, the Group did not record any instances of non-compliance with the capital adequacy requirements on a consolidated basis nor any instances of exceeding large exposure limits under Article 392 of the CRR.

Key data is presented in the tables below.

Item	Dec 31 2019	Dec 31 2018	Average quarterly data			
			Q1 2019	Q2 2019	Q3 2019	Q4 2019
Own funds − (PLN '000)	**70,167**	**70,029**	**69,505**	**70,205**	**69,290**	**70,173**
Tier 1 Capital	70,167	70,029	69,505	70,205	69,290	70,173
Common Equity Tier 1	70,167	70,029	69,505	70,205	69,290	70,173
Additional Tier 1 Capital	-	-	-	-	-	-
Tier 2 Capital	-	-	-	-	-	-
Total risk exposure (PLN '000)	**250,862**	**240,320**	**275,654**	**241,542**	**267,732**	**251,244**
Risk-weighted exposure amounts for credit risk, counterparty credit risk, dilution risk and free deliveries	104,956	83,354	125,356	100,901	111,236	105,350
Total exposure to settlement/delivery risk	-	-	-	-	-	-
Total exposure to position, currency and commodity price risks	13,588	31,697	27,985	18,325	24,184	13,576
Total exposure to operational risk	132,309	125,265	122,308	122,308	132,309	132,309
Additional exposure to risk related to fixed indirect costs	-	-	-	-	-	-
Total exposure to risk related to credit valuation adjustment	9	4	5	8	3	9

Total exposure to risk related to large trading book exposures	-	-	-	-	-	-
Other exposures to risk	-	-	-	-	-	-
Tier 1 common equity ratio	27.97	29.14	25.21	29.07	25.88	27.93
Tier 1 capital surplus(+)/shortfall(–) (PLN '000)	58,880	59,214	57,101	59,335	57,242	58,867
Tier 1 capital ratio	27.97	29.14	25.21	29.07	25.88	27.93
Tier 1 capital surplus(+)/shortfall(-) (PLN '000)	55,117	55,610	52,966	55,712	53,226	55,098
Total capital adequacy ratio	27.97	29.14	25.21	29.07	25.88	27.93
Total capital surplus(+)/shortfall(-) (PLN '000)	50,100	50,803	47,453	50,881	47,871	50,073

Item	Dec 31 2019
Initial capital (PLN '000)	3,109
Deviation of own funds from initial capital	67,058

14. Notes to the consolidated statement of financial position – liabilities and accruals and deferred income

14.1. Accruals and deferred income

14.1.1. Changes in accruals and deferred income

	2019	2018
As at beginning of reporting period	**9,992**	**7,479**
Recognised during the financial year	17,487	19,495
Used	18,534	16,982
Reversed	103	-
As at end of reporting period	**8,842**	**9,992**

14.1.2. Accruals and deferred income at end of the reporting period

	Dec 31 2019	Dec 31 2018
Employee benefits*	5,402	3,898
Other	3,440	6,094
Total	**8,842**	**9,992**

** As provided for in IAS 19, employee benefits include wages, salaries, social security contributions, paid annual leave, paid sick leave, profit-sharing and bonuses, as well as post-employment benefits including pensions, other retirement benefits, termination benefits and non-cash benefits for current employees.*

The Group estimates the liabilities according to its best knowledge at the time of preparing the consolidated financial statements. The amounts and time of realisation of accruals and deferred income are subject to uncertainty. The vast majority of employee benefit obligations will be discharged within 12 months from the end of the reporting period. The liabilities relating to paid annual leaves are computed as at the end of the reporting period, but the timing of cash outflow under the liabilities is difficult to predict. The liability is realised upon termination of employment relationship with an employee. Other accruals are current liabilities, i.e. the cash outflow is expected to occur within several months from the end of the reporting period.

14.2. Provisions for litigations, fines and damages

For information on litigation, see Note 28.1.

14.3. Liabilities (current)

Current liabilities	Dec 31 2019	Dec 31 2018
To clients	105,099	91,609
To related entities	-	1
To banks conducting brokerage activities, other brokerage houses and commodity brokerage houses	43,763	55,100
a) under executed transactions*	43,727	55,023
b) other	36	77
To entities operating regulated securities markets and commodity exchanges	340	364
To the Central Securities Depository of Poland and exchange clearing houses	3,122	122
Borrowings	6,799	15,485
a) from related entities	-	-
b) other	6,799	15,485
Debt securities	1	3
Liabilities under promissory notes	-	-
Taxes, customs duties and social security payable	1,545	1,436
Salaries and wages	1	-
To investment and pension fund companies and to investment and pension funds	1,158	795
Under framework securities lending and short sale agreements	-	-
Other	2,020	1,573
a) dividend payable	1,000	600
b) other	1,020	973
- other liabilities	1,020	793
- financial liabilities at amortised cost	-	180
Total current liabilities	**163,848**	**166,488**

** In accordance with Art. 45h of the amended Act on Trading in Financial Instruments, the following balance sheet items: current liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses under executed transactions, where they relate to transactions executed on the WSE, include receivables from and liabilities to KDPW CCP (the agent clearing the transactions which has assumed the rights and obligations of the parties to the transactions).*

Terms and conditions of related-party transactions are presented in Note 23.1.

Liabilities do not bear interest, except for borrowings (see Note 14.3.2) and leases (see Note 25).

The amount resulting from the difference between VAT payable and VAT receivable is paid to the relevant tax authorities on a monthly basis.

	Dec 31 2019	Dec 31 2018
Liabilities under executed stock-exchange transactions:	43,727	55,023
- transactions on the Warsaw Stock Exchange	42,308	48,559
- transactions on the Budapest Stock Exchange	-	4,290
- transactions on the Prague Stock Exchange	-	1,490
- transactions on the Istanbul Stock Exchange	1,091	-
- transactions on the London Stock Exchange	281	-
- transactions on the Paris Stock Exchange	19	-
- transactions on the Frankfurt Stock Exchange	13	-
- transactions on the New York Stock Exchange	15	684
Liabilities under transactions executed on over-the-counter market	36	77
Liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses	**43,763**	**55,100**

Gross current liabilities (by currency)	Dec 31 2019	Dec 31 2018
a) in PLN	132,358	126,299
b) in other currencies (translated into PLN)	31,490	40,189
Total current liabilities	**163,848**	**166,488**

14.3.1. Age of payables

Current and non-current liabilities by maturity from reporting date	Dec 31 2019	Dec 31 2018
a) up to 1 month	167,245	165,433
b) over 1 month to 3 months	61	665
c) over 3 months to 1 year	330	129
d) over 1 year to 5 years	9,850	2,346
e) over 5 years	-	-
f) past due	382	261
Total liabilities	**177,868**	**168,834**

The above analysis is based on discounted values, as the difference between the discounted and non-discounted values was immaterial and related mainly to bank borrowings. Liabilities under bank borrowings comprise an overdraft facility (as described below) and their amount varies from period to period.

14.3.2. Interest-bearing borrowings

Current and non-current liabilities by maturity from reporting date	Dec 31 2019	Dec 31 2018
a) credit facility	6,799	15,485
- outstanding amount	6,799	15,485
Current liabilities	**6,799**	**15,485**

As at December 31st 2019, the Group's liabilities under bank borrowings related to its brokerage business amounted to PLN 6,799 thousand (December 31st 2018: PLN 15,485 thousand). The liabilities arose under two overdraft facility agreements executed with Alior Bank S.A. on July 22nd 2009. The facilities, renewed each year, are used to finance payments due to the Central Securities Depository of Poland/KDPW CCP (the clearing agent) in connection with the brokerage activities. Their current term expires on October 16th 2020:

i. Revolving credit facility of up to PLN 8m. The purpose of the facility is to finance payment of the Company's liabilities to the Central Securities Depository of Poland/KDPW CCP in respect of the clearing and settlement of transactions concluded by the Company on the regulated market as part of its brokerage business. The facility is secured by a blank promissory note with a promissory note declaration, a power of attorney over accounts held with the bank, a declaration of voluntary submission to enforcement with respect to cash payments in favour of the bank with the bank and a PLN 4m security deposit placed in a term deposit account as joint collateral securing also the credit facility specified in item ii.

ii. Revolving credit facility of up to PLN 25m. The purpose of the facility is to finance the payment of the Company's liabilities resulting from its membership in the Transactions Settlement Guarantee Fund operated by KDPW CCP. The facility is secured by a blank promissory note with a promissory note declaration, a power of attorney over accounts held with the bank and a declaration of voluntary submission to enforcement with respect to cash payments in favour of the bank with the bank. As stated in item i above, both credit facilities are also jointly secured by a PLN 4m security deposit.

Interest on borrowings pertains only to short-term facilities. Interest on bank credit due for December 2019 and December 2018 was realised and paid in 2019 and 2018.

14.4. Bonds

In 2019, the Group issued eight registered bonds with a total nominal value of PLN 1.6 thousand (2018: PLN 2.4 thousand), with various series maturing in 2019−2020. The total amount of liabilities payable by the Group on redemption of the bonds will not exceed the bonds' nominal value and is not significant to the Group. The bonds were issued in connection with the variable remuneration component policy in place at the Company. In 2019, the Company redeemed PLN 3.6 thousand worth of bonds (2018: PLN 5.2 thousand).

15. Notes to the consolidated statement of comprehensive income

15.1. Revenue from core activities

Revenue from core activities	2019	2018
Revenue from trading in securities*	22,430	21,987
Revenue from investment banking services*	11,678	8,112
Revenue from investment fund and portfolio management services	74,432	40,579
Revenue from advisory services	29,181	25,149
Other revenue from core activities*	2,271	2,281
Total revenue from core activities	**139,992**	**98,108**

** Revenue of the brokerage and related services segment of PLN 36,379 thousand / PLN 32,380 thousand (the segment information is presented in Note 11).*

15.2. Operating expenses

Cost of core activities	2019	2018
Fees payable to regulated markets, commodity exchanges, the Central Securities Depository of Poland and exchange clearing houses	4,529	5,415
Payments to CCP	248	293
Trade organisation membership fees	46	45
Salaries and wages	47,386	41,269
Social security	3,104	2,961
Employee benefits	648	693
Raw material and consumables used	566	487
Costs of maintenance and lease of buildings	-	3,516
Depreciation and amortisation	4,885	2,233
Taxes and other public charges	1,344	1,728
Other costs, including:	71,943	39,741
- fund management and distribution costs	47,495	18,104
- transaction costs other than cost of clearance through clearing houses or stock exchanges	2,675	4,201
- ICT and information services	4,989	4,256
- marketing, representation and advertising	1,508	1,653
- software purchases (for recharge)	6,185	2,890
- other services	9,091	8,637
Total cost of core activities	**134,699**	**98,381**

Employee benefits expense

Employee benefits expense (itemised)	2019	2018
Salaries and wages	47,386	41,269
Social security and other benefits	3,104	2,961
Costs of future benefits related to retirement severance payments, length-of-service awards and other similar employee benefits	-	-
Other employee benefits expense	648	693
Total employee benefits expense	**51,138**	**44,923**

15.3. Finance income and costs

Finance income	2019	2018
1. Interest on loans	12	5
2. Interest on deposits	428	404
a) from related entities	-	-
b) other	428	404
3. Interest on leases	183	231
4. Other interest	26	40
5. Foreign exchange gains	13	685
a) realised	13	21
b) unrealised	-	664
6. Other	341	403
Total finance income	**1,003**	**1,768**

Finance costs	2019	2018
1. Interest on borrowings, including:	979	1,136
a) to related entities	-	-
b) other	979	1,136
2. Interest on leases	591	195
3. Other interest	8	81
4. Foreign exchange losses	179	369
a) realised	34	360
b) unrealised	145	9
5. Other	1,343	1,631
Total finance costs	**3,100**	**3,412**

In 2019 and 2018, the capitalisation rate was 0%. The Group did not capitalise borrowing costs.

15.4. Gain/(loss) on financial assets measured at fair value through profit or loss

	2019	2018
1. Dividends and other profit distributions	52	348
2. Revaluation adjustments	341	2,084
3. Gain/(loss) on sale/redemption	- 694	- 3,293
Gain/(loss) on financial assets measured at fair value through profit or loss	**- 301**	**- 861**

15.5. Operating income and expenses

Other income	2019	2018
a) gain on disposal of property, plant and equipment and intangible assets	1	1
b) reversed accruals and deferred income	103	-
c) reversed impairment losses on receivables	1,545	206
d) income from re-invoicing	573	232
e) other	824	637
Total other income	**3,046**	**1,076**

Other expenses	2019	2018
a) loss on disposal of property, plant and equipment and intangible assets	-	-
b) impairment losses on property, plant and equipment and intangible assets	-	-
c) recognition of accruals and deferred income	-	-
c) impairment losses on receivables	660	365
d) other, including:	965	427
- membership fees	40	40
- re-charged costs	573	232
- other	352	155
Total other expenses	**1,625**	**792**

16. Dividends paid and proposed

By the date of these consolidated financial statements, no final decision had been made by the parent's Management Board concerning recommended distribution of the 2019 profit. Any decisions in this respect will be made at a later date, however not later than by the date of convening of the Annual General Meeting, which pursuant to the Commercial Companies Code must be held within six months from the end of a given financial year.

On February 7th 2020, the general meeting of IFA SK resolved to distribute profit for 2018 of PLN 381 thousand. On February 29th 2020, the Company received its share in the profit of IFA SK.

On June 28th 2019, the Annual General Meeting of IBC resolved to allocate a part of the 2018 profit, of PLN 0.8m, to dividend (PLN 399.80 per share). The dividend had not been paid by the date of these consolidated financial statements.

On June 29th 2018, the Annual General Meeting of IBC resolved to allocate a part of the 2017 profit, of PLN 1.2m, to dividend (i.e. PLN 599.70 per share). The Company received the dividend.

On June 6th 2018, the General Meeting of the Company resolved to distribute dividend of PLN 1,263 thousand. The 2017 profit of PLN 1,263 thousand was allocated to dividend payment. The dividend per share was PLN 0.04. The dividend record date was set for June 15th 2018, and the dividend payment date – for June 27th 2018. On the dividend payment date, a total of PLN 1.197 thousand was paid out to the shareholders. The difference (PLN 66 thousand) between the distributed amount and the PLN 1,263 thousand approved by the General Meeting resulted from rounding off the amount of dividend per share. Pursuant to the General Meeting's resolution, the difference was allocated to the Company's reserve capital.

17. Income tax

The key components of income tax expense as disclosed in the consolidated statement of comprehensive income are as follows:

	For the year ended Dec 31 2019	For the year ended Dec 31 2018
Profit before tax	**4,315**	**- 2,494**
Tax calculated at 19% rate	**820**	**-**
Taxable income/deductible expenses for which no deferred tax assets were recognised − total consolidation adjustments	657	650
Tax losses for which no deferred tax assets were recognised − other	- 80	52
Tax loss carry forwards for which no deferred tax assets were recognised	-	-
Use of unrecognised tax losses	-	-
Non-deductible expenses	748	- 56
Deductible/taxable temporary differences for which no deferred tax assets/liabilities were recognised	-	-
Non-taxable income	- 1,525	- 419
Tax base for current and deferred income tax	**4,115**	**- 2,267**
Reductions, exemptions	-	-

Income tax expense	**782**	**- 431**

Tax settlements

Tax settlements and other regulated areas of activity are subject to inspection by administrative authorities, which are authorised to impose significant fines and other sanctions. As it is not possible to refer to an established regulatory framework in Poland, the applicable regulations often lack clarity and consistency. Frequent discrepancies in opinions concerning the legal construction of tax regulations, both between different governmental agencies, and between governmental agencies and enterprises, create areas of uncertainty and conflict. Consequently, tax risk in Poland is substantially higher than in countries with more mature tax systems.

Tax settlements are subject to inspection for five years from the end of the year in which the respective tax was paid. Such inspections may result in additional tax liabilities being imposed on the Group companies.

Deferred income tax

Temporary differences related to deferred tax assets as at December 31st 2019 and December 31st 2018 were recognised with respect to the following items:

Deferred tax assets	**Dec 31 2019**	**Dec 31 2018**
Equity instruments through other comprehensive income and financial assets measured at fair value through profit or loss	-	32
Property, plant and equipment	8	6
Short-term receivables	478	104
Accruals and deferred income	1,961	1,784
Tax loss brought forward	2,933	2,554
Other	-	-
Total deferred tax asset	**5,380**	**4,480**

Deferred tax liabilities	**Dec 31 2019**	**Dec 31 2018**
Equity instruments through other comprehensive income	96	27
Property, plant and equipment	218	248
Short-term receivables	33	34
Accruals and deferred income	1,532	1,520
Other	28	-
Total deferred tax liabilities	**1,907**	**1,829**
Net deferred tax assets	**3,473**	**2,651**

Temporary differences related to deferred tax liabilities as at December 31st 2019 and December 31st 2018 were recognised with respect to the following items:

Deferred tax assets	**Dec 31 2019**	**Dec 31 2018**
Short-term receivables	-	-
Other	52	17
Total deferred tax asset	**52**	**17**

Deferred tax liabilities	Dec 31 2019	Dec 31 2018
Short-term receivables	506	414
Other	-	20
Total deferred tax liabilities	**506**	**434**
Net deferred tax liabilities	**454**	**417**

18. Additional information of financial instruments

18.1. Financial assets and liabilities

As at December 31st 2019 and December 31st 2018, the carrying amounts of financial assets and financial liabilities approximated their fair values.

As at December 31st 2019

	Categories and amounts of financial instruments under IFRS 9		
	financial assets measured at amortised cost	financial assets obligatorily measured at fair value through profit or loss	equity instruments classified upon initial recognition as measured at fair value through other comprehensive income
Financial assets:			
- cash and cash equivalents	62,713	-	-
- derivative financial instruments	-	226	-
- loans	609	-	-
- short- and long-term receivables	185,126	-	-
- shares in listed companies	-	82	-
- shares (unlisted)	-	-	4
- bonds (unlisted)	-	-	10
- investment fund shares/investment certificates	-	-	4,958
Total financial asset category	**248,448**	**308**	**4,972**
Financial liabilities:			
- overdraft facility	6,799	-	-
- derivative financial instruments	-	-	-
- leases	14,020	-	-
- current and non-current liabilities (other than credit facility)	157,049	-	-

Instrument category and item of the consolidated statement of financial position	carrying amount	fair value
Financial assets:	**253,728**	**253,728**
- cash and cash equivalents	62,713	62,713
- derivative financial instruments	226	226
- loans	609	609
- short- and long-term receivables	185,126	185,126
- shares in listed companies	82	82
- shares and bonds (unlisted)	14	14
- investment fund shares/investment certificates	4,958	4,958
Financial liabilities at amortised cost:	**163,848**	**163,848**
- overdraft facility	6,799	6,799
- current liabilities (other than credit facility)	157,049	157,049

As at December 31st 2018

	Categories and amounts of financial instruments under IFRS 9		
	financial assets measured at amortised cost	financial assets obligatorily measured at fair value through profit or loss	equity instruments classified upon initial recognition as measured at fair value through other comprehensive income
Financial assets:			
- cash and cash equivalents	46,938	-	-
- derivative financial instruments	-	47	-
- loans	141	-	-
- short- and long-term receivables	188,353	-	-
- shares in listed companies	-	9,709	-
- shares and bonds (unlisted)	-	-	14
- investment fund shares/investment certificates	-	-	6,285
Total financial asset category	**235,432**	**9,756**	**6,299**
Financial liabilities:			
- overdraft facility	15,485	-	-
- finance lease	3,305	-	-
- derivative financial instruments	-	-	-
- current and non-current liabilities (other than credit facility)	150,044	-	-

Instrument category and item of the consolidated statement of financial position	carrying amount	fair value
Financial assets:	**251,487**	**251,487**
- cash and cash equivalents	46,938	46,938
- derivative financial instruments	47	47
- loans	141	141
- short- and long-term receivables	188,353	188,353
- shares in listed companies	9,709	9,709
- shares and bonds (unlisted)	14	14
- investment fund shares/investment certificates	6,285	6,285
Financial liabilities at amortised cost:	**165,528**	**165,528**
- overdraft facility	15,485	15,485
- current liabilities (other than credit facility)	150,043	150,043

The Group uses derivatives to mitigate the risk of exchange rate changes for currencies in which some of the Group's sale and purchase transactions are denominated. While the derivative instruments held by the Group hedge it against currency risk, they are not security within the meaning of IFRS 9. Therefore, they are recognised as financial assets measured at fair value through profit or loss. All derivatives are measured at fair value, determined based on market data.

Shares in non-consolidated subsidiaries (not listed companies) as well as fund shares and investment certificates are designated as measured at fair value through other comprehensive income because the objective is to obtain cash flows from the financial assets or cash flows from its sale. In 2019, net gain on these financial assets was PLN 189 thousand and was recognised in other comprehensive income.

Cash bears interest at fixed and variable interest rates. Both in 2019 and 2018, loss allowance for expected credit losses related to receivables, and are presented in Note 12.2.1. In 2019, interest income on loans, cash and receivables was PLN 649 thousand (including accrued interest not received at PLN 9 thousand); in 2018 the amount was PLN 680 thousand (including accrued interest not received PLN 9 thousand).

In 2019, expenses related to interest on a credit facility amounted to PLN 979 thousand (2018: PLN 1,136 thousand). Interest on borrowings related to short-term borrowings only and was realised in full (in 2019 and 2018).

18.2. Fair value of financial assets and liabilities

The table below presents financial instruments measured at fair value classified in the three-level hierarchy:

Level 1 – where fair value is measured based on quoted (unadjusted) prices for identical assets or liabilities in active markets,

Level 2 – where fair value is measured based on market inputs other than quoted market prices (e.g. estimated by direct or indirect reference to similar instruments in the market),

Level 3 – where fair value is measured using different valuation techniques which are not based on observable market inputs.

As at December 31st 2019

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Derivative instruments	-	226	-	226
Financial assets measured at fair value other than derivatives	82	-	-	82
Total financial assets measured at fair value through profit or loss	**82**	**226**	**-**	**308**
Equity instruments through other comprehensive income				
Investment certificates and investment fund shares	-	4,958	-	4,958
Debt instruments	-	-	-	-
Total equity instruments through other comprehensive income	**-**	**4,958**	**-**	**4,958**
Financial liabilities measured at fair value through profit or loss				
Derivative instruments	-	-	-	-
Total financial liabilities measured at fair value through profit or loss	**-**	**-**	**-**	**-**

As at December 31st 2018

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Derivative instruments	-	47	-	47
Financial assets measured at fair value other than derivatives	9,709	-	-	9,709
Total financial assets measured at fair value through profit or loss	**9,709**	**47**	**-**	**9,756**
Equity instruments through other comprehensive income				
Investment certificates and investment fund shares	-	6,285	-	6,285
Debt instruments	-	-	-	-
Total equity instruments through other comprehensive income	**-**	**6,285**	**-**	**6,285**
Financial liabilities measured at fair value through profit or loss				
Derivative instruments	-	-	-	-
Total financial liabilities measured at fair value through profit or loss	**-**	**-**	**-**	**-**

* *Net of assets measured at cost.*

In the current period there were no transfers between Level 1 and Level 2.

19. Exclusions of companies from consolidation

In accordance with IAS 8.8, which permits departures from the IFRSs when the effect of such departure is immaterial, IFA was not been consolidated in 2019 and 2018.

	2019	2018
Total assets as at Dec 31	2	2
% of parent's total assets	-	-
Revenue	14	14
% of parent's revenue	-	-
Net assets as at Dec 31	- 5	- 5
Financial performance	-	-

20. Contingent liabilities and contingent assets

The Company issued promissory notes as security for a credit facility (see Note 14.3.2), and paid a deposit of PLN 1.5m as security for settlement of transactions on foreign stock exchanges.

21. Guarantees

In January 2012, the Company received from PKO Bank Polski S.A. (formerly Nordea Bank Polska S.A.) a guarantee of up to EUR 268 thousand, secured by a security deposit with a current amount of PLN 1,440 thousand. Under an amendment agreement of 2015, the guarantee amount was increased to EUR 277 thousand. The guarantee, provided until April 16th 2023, secures liabilities related to the lease of office space.

22. Business combinations and acquisitions of non-controlling interests

22.1. Business combinations and acquisition of subsidiaries

The Group did not acquire any subsidiaries in 2019 or 2018. On March 16th 2020, the Company purchased 100% of shares in Grupa Finanset Sp. z o.o.

22.2. Disposal of subsidiaries

In the reporting period and the preceding periods, the Group did not dispose of any businesses.

23. Related-party transactions

Related-party transactions – income and expenses

Related party	Revenue	Purchases	Revenue	Purchases
	Jan 1–Dec 31 2019		Jan 1–Dec 31 2018	
IPOPEMA Financial Advisory Sp. z o.o.	-	14	-	14
Members of the Management and Supervisory Boards	-	1	-	1
Total	**-**	**15**	**-**	**15**

Related-party transactions – receivables and liabilities

Related party	Receivables		Liabilities	
	Dec 31 2019	Dec 31 2018	Dec 31 2019	Dec 31 2018
IPOPEMA Financial Advisory Sp. z o.o.	-	-	1	1
Members of the Management and Supervisory Boards	-	-	-	-
Total	**-**	**-**	**1**	**1**

Under IAS 24, related parties include also members of the Management Board and the Supervisory Board and persons related to them. For information on the remuneration of the above persons, see Note 23.5.

Related-party transactions and outstanding balances of the Group's receivables and liabilities are excluded during preparation of the Group's consolidated financial statements.

23.1. Terms of related-party transactions

As a rule, transactions with related parties are executed on arms' length terms, subject to Note 23.3 below.

23.2. Loan advanced to members of the Management Board

The Group did not advance any loans to members of the Management Board.

23.3. Transactions involving members of the Management and Supervisory Boards

Some members of the Company's governing bodies executed (directly or through subsidiaries) transactions in securities on the regulated market and outside the stock-exchange market, with Group companies acting as intermediaries (revenue from the transactions, of less than PLN 10 thousand, was insignificant). Those persons also used fund management services in 2019 and 2018; two funds in which some members of the Company's Management Board or their related persons are investors, were exempted from administration fees.

23.4. Transactions with non-consolidated subsidiaries

Transactions with IPOPEMA Financial Advisory Sp. z o.o.

In 2017, IFA SK concluded a contract for the provision of management services with IFA. The total value of the Group's cost under that contract was PLN 14 thousand in 2019 and PLN 14 thousand in 2018.

23.5. Remuneration of the Group's senior management staff

The table below presents the amount of remuneration paid and potentially payable to members of the Supervisory and Management Boards, as well as additional benefits (healthcare services, to the extent they are financed by the Company) received at the IPOPEMA Securities Group:

	Total remuneration at the IPOPEMA Securities Group		Including in subsidiaries	
	2019	2018	2019	2018
Management Board	**1,955**	**1,818**	**564**	**400**
Jacek Lewandowski	543	501	141	100
Mirosław Borys	444	403	141	100
Mariusz Piskorski	444	403	141	100
Stanisław Waczkowski	524	511	141	100
Supervisory Board	**155**	**167**	**56**	**32**
Jacek Jonak	25	35	-	-
Janusz Diemko	20	26	-	-
Bogdan Kryca	14	18	-	-
Michał Dobak	20	28	-	-
Piotr Szczepiórkowski	42	60	30	32
Zbigniew Mrowiec	34	-	26	-

Benefits to the key management staff

In 2019 and 2018, there were no payments under post-employment benefits, termination benefits, share-based payments, or other long-term benefits. The liabilities under holiday benefits payable to the parent's Management Board stood at PLN 4 thousand as at December 31st 2019 and at PLN 5 thousand as at December 31st 2018. The holiday benefits were not included in the table above.

Agreements with Mariusz Piskorski and Mirosław Borys of November 4th 2008

Two of the Management Board members, Mariusz Piskorski and Mirosław Borys, entered into agreements with the Company, whereby each of them is entitled to compensation equal to three times their monthly salary if they are removed from the Management Board or not reappointed for another term of office (subject to conditions set forth in the agreements) or their remuneration terms are changed to less favourable.

24. Items of the consolidated statement of cash flows

Breakdown of the Group's activities as assumed for the consolidated statement of cash flows:

Operating activities – provision of brokerage and advisory services, fund and asset management services and securities trading in the capacity of a broker.

Investing activities – purchase and sale of intangible assets, property, plant and equipment and non-current securities.

Financing activities – acquisition or loss of sources of financing (changes in the amount of and relation between equity and external capital at the entity) and any related monetary costs and benefits.

Structure of cash

	Presentation in the consolidated statement of financial position		Presentation in the consolidated statement of cash flows	
	Dec 31 2019	Dec 31 2018	Dec 31 2019	Dec 31 2018
Cash and cash equivalents	**62,713**	**46,938**	**62,736**	**46,879**
1. In hand	3	2	3	2
2. At banks	26,718	27,411	26,718	27,411
3. Other cash	35,976	19,485	35,976	19,485
4. Cash equivalents	16	40	-	-
5. Accrued foreign exchange differences	-	-	39	- 19

The difference between the presentation of cash in the balance sheet and the statement of cash flows in 2019 and 2018 follows from presentation of cash net of the effect of foreign exchange differences and received purchase cards presented under cash and cash equivalents.

Cash at end of period comprises the Group's own and its clients' cash and cash equivalents – for more information on the structure of cash, see Note 12.1.

Movements in balance-sheet items

	Presentation in the consolidated statement of financial position		Presentation in the consolidated statement of cash flows – change
	Dec 31 2019	**Dec 31 2018**	**2019**
Gross short- and long-term receivables	186,199	190,146	3,979
Net receivables	185,413	188,445	
Impairment losses on receivables	786	1,701	- 915
Prepayments and accrued income	1,246	1,351	
Accruals and deferred income (net of deferred tax related to equity and provision for unpaid interest)	8,842	9,992	- 1,045
Total change in impairment losses and accruals and deferrals			**- 1,960**

The difference between the change in gross receivables disclosed in the statement of financial position and the amount disclosed in the statement of cash flows is attributable to the removal from gross receivables as at December 31st 2019 of interest receivable on a security deposit, which are disclosed under investing and financing activities.

	Presentation in the consolidated statement of financial position		Presentation in the consolidated statement of cash flows – change
	Dec 31 2018	**Dec 31 2017**	**2018**
Gross short- and long-term receivables	190,146	274,349	81,023
Net receivables	188,445	272,105	
Impairment losses on receivables	1,701	2,244	- 543
Prepayments and accrued income	1,351	1,815	
Accruals and deferred income (net of deferred tax related to equity and provision for unpaid interest)	9,992	7,479	2,977
Total change in impairment losses and accruals and deferrals			**2,434**

The difference between the change in gross receivables disclosed in the statement of financial position and the amount disclosed in the statement of cash flows is attributable to the presentation of receivables as at December 31st 2018 net of receivables under loans and receivables related to investing and financing activities.

25. Leases

The Group as a lessee

In 2019, the most significant lease contracts were leases of office space. The right to use the building for the term of the contract was classified by the Company as lease. The contract was originally executed for a period of five years, starting from 2013, with an option to extend its term for another two years. Pursuant to an annex to the contract, executed in January 2016, the lease was extended until January 2023.

Group companies are parties to vehicle lease agreements. The financing party has the right to recalculate its fee in the event of changes in the 1M EURIBOR/WIBOR interest rate or regulatory changes (notably tax regime changes). The agreements provide for a mileage limit for the vehicles, which will be accounted for in respect of the entire lease term. If the mileage limit agreed by the parties is exceeded, the lessee has to pay an additional excess mileage charge.

In 2017, a Group company concluded a 60-month lease agreement for IT equipment, to support hosting services provided to the company's trading partner. As per the agreement, the company will have the option to extend the lease or purchase the equipment after the lease term expires. Subject to the consent of the equipment supplier, the company may assign the rights and obligations of the agreement to a third party, and 18 months after the start of the lease the company may terminate the lease without the supplier's consent, provided that the equipment is purchased for a price equivalent to the sum of remaining lease payments. The same terms are set forth in the hosting agreement concluded with the company's trading partner.

Underlying asset classes	Carrying amount of the right-to-use asset as at Dec 31 2019	Cancellation of the right-to-use asset 2019
Buildings and premises	9,628	3,165
Plant and equipment	-	-
Vehicles	140	100
Other tangible assets	-	-
Total	**9,768**	**3,265**

Minimum lease payments are presented in the table below.

Lease liabilities		Dec 31 2019	Dec 31 2018*
Net carrying amount		14,020	3,195
Present value of minimum lease payments	**Lease payments**	**Finance costs**	3,305
Within 1 year	4,170	358	960
In 1 to 5 years	9,850	291	2,345
Over 5 years	-	-	-
Contingent lease payments recognised as expense in the period		**N/A**	**1,262**
Depreciation expense recognised in period 2019		**3,165**	**N/A**

** Data as at December 31st 2018 relates to finance and operating leases.*

Contingent lease payments that depend on factors other than an index or rate are not recognised in lease liabilities. In 2019, the related costs were as follows:

	2019
Short-term bank borrowings	-
Leases of low-value assets	-
Variable lease payments not included in lease liabilities	354
Total costs	**354**

Interest expense related to leases is presented in Note 15.3.

Total lease costs – cash flows	2019
Payment of lease liabilities	3,498
Payment of interest	150
Short-term bank borrowings	-
Leases of low-value assets	-
Variable lease payments not included in lease liabilities	354
Other cash used in investing activities	-
Total expenses	**4,002**

The Group as a lessor

Finance lease liabilities	Dec 31 2019	Dec 31 2018
Net carrying amount	2,218	2,942
Present value of minimum lease payments	2,218	2,942
Within 1 year	776	724
In 1 to 5 years	1,442	2,218
Over 5 years	-	-

26. Foreign exchange differences

Exchange differences disclosed in the consolidated statement of comprehensive income, other than differences resulting from financial instruments measured at fair value, are presented in Note 15.3. In 2019 and 2018, there were no exchange differences disclosed in other comprehensive income as a component of equity.

27. Security over assets of the IPOPEMA Securities Group

Both in 2019 and 2018, the Group's assets were used as security for working capital overdraft facilities (see Note 14.3.2).

As at December 31st 2019, the Group identified the following security interests in assets: a PLN 4m bank deposit, blank promissory notes with promissory note declarations, a power of attorney to bank accounts (used as security for an overdraft facility) and a security deposit of EUR 1.5m securing settlement of transactions on foreign stock exchanges.

28. Litigation and administrative proceedings. Inspections at the Group companies

28.1. Litigation and administrative proceedings

On July 27th 2016, IPOPEMA TFI received a certified copy of a statement of claim filed by Górnośląskie Przedsiębiorstwo Wodociągów S.A. of Katowice ('GPW'), in which GPW sought payment of PLN 20,554,900.90 for an alleged financial loss incurred by GPW as a result of its investment in investment certificates of one of the dedicated funds managed by IPOPEMA TFI (a closed-end private equity fund). IPOPEMA TFI has not recognised any provision for potential costs related to the claim. IPOPEMA TFI considers GPW's claims to be groundless and is seeking to have the action dismissed. It filed a response to the statement of claim with the court and has participated in successive procedural steps. By the date of these consolidated financial statements, a number of hearings were held and a number of witnesses were heard. Given the complex factual and legal circumstances, it is difficult at this point to predict the outcome of the proceedings or the date of their conclusion.

28.2. Inspections

One external inspection was carried out at the Company in 2019. The inspection was carried out by the Central Securities Depository of Poland and concerned records of financial instruments and the operation of the IT systems used to maintain the records. The Company received three post-inspection recommendations from the CSDP, which were implemented.

The Company and IPOPEMA TFI, as institutions supervised by the Polish Financial Supervision Authority, are alsosubject to the authority's annual assessment as part of the Supervisory Review and Evaluation process.

29. Objectives and principles of financial risk management

Operations on capital markets inherently involve various financial risks which may have a significant effect on the Group's operations, as outlined below.

All types of risk are monitored and controlled with respect to the profitability of the Group's business and the level of capital necessary to ensure security of executed transactions in the context of the capital adequacy requirements.

29.1. Market risk

The IPOPEMA Securities Group is exposed to the following types of market risk: interest rate risk, currency risk and price risk understood as the risk of fluctuations in the prices of financial instruments linked to share prices.

In its portfolio, the Group holds shares of companies listed on the Warsaw Stock Exchange and the Budapest Stock Exchange. As at December 31st 2019, their value stood at PLN 82 thousand (December 31st 2018: PLN 9,709 thousand). The Group also holds other financial instruments, such as trade payables and receivables arising in connection with its activities.

The Group uses bank borrowings, and holds cash and short-term deposits. The primary purpose of holding those financial instruments is to effectively use financial resources to finance the Group's operations.

The assumptions adopted in the sensitivity analysis as at December 31st 2019 are described in the table next to each type of risk. The sensitivity analysis included the impact on net profit/(loss) and equity within one year from the end of the reporting period. The analysis presented below did not include the impact of tax.

Item of the consolidated financial statements	Amount in PLN thousand in consolidated statement of financial position	Interest rate risk		Currency risk		Other price risk			
		Effect on profit/(loss)		Effect on profit/(loss)		Effect on profit/(loss)		Effect on equity	
		+ 100 bps (PLN/USD/EUR '000)	- 100 bps (PLN/USD/EUR '000)	+10%	-10%	+10%	-10%	+10%	-10%
Financial assets									
Cash and cash equivalents	41,862	419	- 419	1,277	- 1,277	-	-	-	-
Bank deposits	-	-	-	-	-	-	-	-	-
Trade and other receivables	185,536	28	- 28	3,582	- 3,582	-	-	-	-
Financial assets measured at fair value through profit or loss*	308	-	-	- 414	864	31	- 31	-	-
Equity instruments through other comprehensive income**	4,968	-	-	-	-	-	-	496	- 496
Financial liabilities									
Trade and other payables	155,504	- 24	24	- 3,149	3,149	-	-	-	-
Borrowings	6,799	- 68	68	-	-	-	-	-	-
Total	**70,371**	**355**	**- 355**	**1,296**	**- 846**	**31**	**- 31**	**496**	**- 496**

** Financial assets measured at fair value through profit or loss shown in the sensitivity analysis comprise shares listed on the Warsaw Stock Exchange and forwards.*

*** The amount does not include IFA shares.*

The assumptions adopted in the sensitivity analysis as at December 31st 2018 are described in the table next to each type of risk. The sensitivity analysis included the impact on net profit/(loss) and equity within one year from the end of the reporting period. The analysis presented below did not include the impact of tax.

Item of the consolidated financial statements	Amount in PLN thousand in consolidated statement of financial position	Interest rate risk		Currency risk		Other price risk			
		Effect on profit/(loss)		Effect on profit/(loss)		Effect on profit/(loss)		Effect on equity	
		+ 100 bps (PLN/USD/EUR '000)	- 100 bps (PLN/USD/EUR '000)	+10%	-10%	+10%	-10%	+10%	-10%
Financial assets									
Cash and cash equivalents	31,084	311	- 311	1,053	- 1,053	-	-	-	-
Bank deposits	-	-	-	-	-	-	-	-	-
Trade and other receivables	188,310	- 31	31	4,079	- 4,079	-	-	-	-
Financial assets measured at fair value through profit or loss*	9,756	-	-	- 596	694	976	- 976	-	-
Equity instruments through other comprehensive income**	6,295	-	-	-	-	-	-	628	- 628
Financial liabilities									
Trade and other payables	151,913	33	- 33	- 3,893	3,893	-	-	-	-
Borrowings	15,485	- 155	155	-	-	-	-	-	-
Total	**68,047**	**158**	**- 158**	**643**	**- 545**	**976**	**- 976**	**628**	**- 628**

** Financial assets measured at fair value through profit or loss shown in the sensitivity analysis comprise brokerage instruments and forwards.*

*** The amount does not include IFA shares.*

29.2. Interest rate risk

The Group has liabilities under working capital facilities on which interest accrues at variable rates. This gives rise to the risk that interest rates may increase in relation to their level as at the agreement date. Moreover, the Group invests free cash in variable-rate assets, which may result in reduced return on the investment if interest rates decline. For information on assets and liabilities subject to the interest rate risk, see Note 12.1 and Note 14.3.

Given that in the reporting period the Group held both assets and liabilities bearing interest at variable rates (which mitigated the risk) and that interest rates moved only slightly in the past periods and no dramatic changes in interest rates are expected in the future reporting periods, the Group did not hedge its exposure to the interest rate risk as in its opinion the risk is not significant.

2019		Payment date		
Variable interest	**<1 year**	**1–5 years**	**> 5 years**	**Total**
Cash assets	62,713	-	-	62,713
Overdraft facilities	6,799	-	-	6,799
Total	**69,512**	**-**	**-**	**69,512**

	2019			
Fixed interest	**<1 year**	**1–5 years**	**> 5 years**	**Total**
Cash assets	-	-	-	-
Total	**-**	**-**	**-**	**-**

2018		Payment date		
Variable interest	**<1 year**	**1–5 years**	**> 5 years**	**Total**
Cash assets	46,938	-	-	46,938
Overdraft facilities	15,485	-	-	15,485
Total	**62,423**	**-**	**-**	**62,423**

	2018			
Fixed interest	**<1 year**	**1–5 years**	**> 5 years**	**Total**
Cash assets	-	-	-	-
Total	**-**	**-**	**-**	**-**

29.3. Currency risk

The parent holds foreign-currency cash at bank and a foreign-currency overdraft facility, and therefore is exposed to currency risk. Currency risk primarily arises from fluctuations in the EUR and USD exchange rates and, to a lesser extent, in the TRY, GBP, HUF and CZK exchange rates. However, both in 2019 and 2018 most of the Group's operating expenses were incurred in PLN.

The parent operates on foreign stock exchanges and uses foreign currencies (HUF, CZK, EUR, USD and other) to settle stock-exchange transactions and other expenses incurred in those markets. Nonetheless, given the nature of the transaction settlements (with the parent acting as an intermediary), the share of this risk in the Group's overall risk is immaterial. The parent holds a foreign-currency security deposit and cash in bank accounts. For an assessment of the effect of foreign exchange fluctuations as at December 31st 2019 and December 31st 2018, see Note 29.1.

	Dec 31 2019	**Dec 31 2018**
Foreign-currency receivables		
- EUR	3,643	6,814
- HUF	-	327,871
- USD	4,662	2,966
- CZK	-	8,909
- RON	50	50
- TRY	1,711	-
- GBP	86	121
- CAD	355	-
Financial instruments		
- HUF	-	264
Foreign-currency liabilities		
- EUR	2,826	4,780
- HUF	-	328,041
- USD	4,416	3,436

- CZK	-	8,907
- GBP	111	174
- TRY	1,710	-
- CAD	355	-
Accruals		
- EUR	-	246
Cash in foreign currencies		
- CZK	929	862
- EUR	1,817	1,391
- HUF	20,007	18,510
- RON	21	30
- USD	912	891
- GBP	113	103
- SEK	229	160
- DKK	65	48
- NOK	177	149
- CHF	38	23
- AUD	2	1
- CAD	52	9
- TRY	103	22

29.4. Price risk

The Group holds financial instruments traded on a regulated market (the Warsaw Stock Exchange and the Budapest Stock Exchange). The Group is exposed to the risk connected with the volatility of prices of financial instruments listed on the stock exchanges. These instruments are recognised in the consolidated financial statements as financial assets at fair value through profit or loss. The Group also holds investment certificates and investment fund shares, which are exposed to the risk of volatility of certificate current price, but the aggregate value of the certificates and fund shares is immaterial.

The risk related to prices of financial instruments is limited, as the Group invests only a relatively small portion of its cash in financial instruments.

For an assessment of the effect of changes in financial instrument prices as at December 31st 2019 and December 31st 2018, see Note 29.1.

29.5. Credit risk

The Group is exposed to credit risk understood as the risk that the Group's debtors may fail to fulfil their obligations and thus cause losses to the Group.

The risk is limited given that the Group has a large number of customers. In 2019, only one customer accounted for more than 10% of the Group's revenue; costs incurred to derive the revenue typically represent a significant portion of total service costs.

With respect to other financial assets of the Group, such as cash and cash equivalents, receivables and loans the credit risk arises as a result of the counterparty's inability to pay, and the maximum exposure to this risk is equal to the carrying amount of such other financial assets (Notes 12.1, 12.2).In view of the above, the Group believes that the credit risk was accounted for in the consolidated financial statements through recognition of loss allowance for expected credit losses. Age of receivables and recognised impairment losses are presented in Note 12.2.1. For information on accounting policies governing recognition of impairment losses, see Notes 8.7.2 and 8.7.4. The credit risk related to these asset classes is considered low as the Group has entered into transactions with institutions with a well-established financial position.

The Group companies had no exposures with modified terms subject to forbearance in 2019 or 2018. Forbearance occurs when the lender modifies the terms of a loan or debt instrument if the borrower is unable to meet them due to financial difficulties. Concessions may include an interest rate reduction or postponement of the principal repayment date (i.e. changing or refraining from the enforcement of contractual requirements). The policy of forbearance is a set of measures involving renegotiation and restructuring of loan terms.

As at December 31st 2019, the maximum value at risk under credit risk for financial assets (Note 18.1) was PLN 253,728 thousand (December 31st 2018: PLN 251,487 thousand).

29.6. Liquidity risk

The Group is exposed to liquidity risk understood as the risk of failure to meet its liabilities as they fall due. The risk is connected with a potentially limited access to financial markets, resulting in the Group's inability to raise new financing or refinance its debt. The Group's objective is to balance its liquidity position by managing its receivables, liabilities and financial instruments and by using debt financing in the form of short-term bank borrowings.

Note 14.3.1 includes a table presenting age of liabilities. The vast majority of the liabilities (81%) relate to transactions executed on stock exchanges, in the majority of which the Group acted as intermediary in the purchase or sale of financial instruments on behalf of its clients. Thus, a liability under a stock exchange transaction is to a large extent offset by a transaction generating receivables. As at December 31st 2019, the balance of stock exchange transactions (receivables vs. liabilities) was PLN 6,843 thousand (December 31st 2018: PLN -1,586 thousand). Principal transactions executed on the WSE may be financed with proceeds from the available credit facilities. In view of the foregoing, the liquidity risk is considered low.

The liquidity risk is identified as one of the typical risks for each business entity and is assessed by the Group under normal market conditions as relatively low given its own cash position (note 12.1) and – in the case of the Company – the available credit lines used to finance stock exchange transactions (Note 14.3.2).

However, the current unprecedented situation caused by the coronavirus pandemic is a major source of economic uncertainty. It is widely believed that a global economic crisis will ensue, the scale and direct impact of which on the economies of individual countries, including Poland, is at present difficult to predict. There is therefore a potentially significant risk for a large number of businesses, including the Group, that this situation will have a material adverse effect on their ability to generate revenue at the level desired in the context of the current financial situation. As a consequence, this may lead to a situation where the cash reserves at individual Group companies will decrease leading to a higher liquidity risk. Moreover, no assurance can be given that the bank which provides financing for the Company's activities on the stock exchange would not change its approach to the financing due to the general market situation or the possible deterioration of the Company's financial position. In an extreme negative scenario, it cannot be ruled out that the financing might be significantly limited or even withheld, which could adversely affect the scale of the Company's activities in this business segment and consequently further reduce revenue.

30. Capital management

The objective of the Group's capital management policy is to ensure that the Group entities continue as going concerns and to maximise return for the shareholders. As at December 31st 2019 and December 31st 2018, the Group's equity was PLN 79,136 thousand and PLN 75,817 thousand, respectively.

IPOPEMA Securities is an investment firm and meets the conditions to be recognised as an EU parent institution as referred to in Article 4 (1) point 29 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 – OJ L 176.1 of 27 June 2013, as amended ('CRR') and as such it is obliged to meet, in addition to the capital adequacy requirements on a separate basis, the capital adequacy requirements on a prudential consolidated basis in accordance with the CRR. The Group is required to calculate its own funds and prudential requirements, as well as to maintain an appropriate level of consolidated own funds.

Despite its considerable equity value, the Company uses debt financing. In accordance with applicable regulations, the Company is obliged to meet the capital requirements described in Note 13.4. In connection with its operations on the secondary market, upon the closing of each trading day the Company is obliged to ensure an appropriate amount of funds for the Guarantee Fund. Currently, the Company transfers contributions to the Fund using proceeds from a credit facility (for details see Note 14.3.2). There is a risk that the level of equity (and own funds) and the available debt financing will limit the turnover potentially achievable by the Company. To date, the Company has not encountered any problems in making sufficient contributions to the Settlement Guarantee Fund, and the present amount of the available credit facility ensures safe continuation of business at the current level or even a substantial increase in business volumes. However, there can be no assurance that the Bank will extend the term of the credit facility agreement. If this is the case, the Company will finance its operations using internally-generated funds; additionally, it will also take steps to obtain financing from another bank. It should be also noted that if the Company's clients fail to settle transactions concluded on their behalf in a timely manner, the Company may be required to execute such transactions using its own funds.

Given the scope and nature of the Company's business, the current level of the Company's equity is sufficient. However, it is possible that equity may have to be increased in the future, for instance if there are changes to the regulatory capital requirements or business projects. If the equity base needs to be increased, the Company may have to increase the share capital through an issue of new shares.

If any events with an adverse effect on the Company's financial performance occur or if the Company incurs losses, the level of equity may be reduced, which may also limit the Company's ability to use debt financing and force the Company to scale down its business.

IPOPEMA TFI, as an investment fund company, is also obliged to comply with the requirement to secure a sufficient level of equity in accordance with Art. 49 and Art. 50 of the Act on Investment Funds and Management of Alternative Investment Funds of May 27th 2004 and Art. 12–15 of Commission Delegated Regulation (EU) No 231/2013 of December 19th 2012.

These provisions stipulate that the Management Company's initial capital necessary to carry out its activities must be no less than the złoty equivalent of EUR 730,000. The Management Company must maintain its equity at a level not lower than 25% of the difference between the total costs and the variable cost of distribution incurred in the previous financial year. Once the value of the assets of investment funds managed by the Management Company exceeds the PLN equivalent of EUR 250,000 thousand, the Management Company must immediately increase its equity by an additional amount equal to 0.02% of the difference between the total asset value of all funds managed by the Management Company and the PLN equivalent of EUR 250,000 thousand. The Management Company is not required to increase its equity if the sum of its initial capital and the additional amount exceeds the złoty equivalent of EUR 10,000 thousand. In addition, as a management company managing alternative investment funds (AIFs), under Articles 12–15 of Regulation 231/2013 IPOPEMA TFI is required to increase its equity, as determined in accordance with the rules described above, to cover the risk of claims that may be raised against it on account of its non-performance or improper performance of obligations related to the management of a specialist open-end investment fund or a closed-end investment fund. Namely, IPOPEMA TFI is required to increase its equity by an additional amount equal to 0.01% of the value of AIF assets or enter into a professional indemnity insurance agreement to cover the risks of non-performance or improper performance of its obligations related to management of a specialised open-end investment fund or a closed-end investment fund. The Management Company maintains its equity at the level required by Art. 49 and 50 of the Act, and maintains additional own funds to cover the risks of non-performance or improper performance of its obligations related to management of funds. IPOPEMA TFI calculates its additional own funds requirement at the end of each financial year and increases the funds if necessary.

31. Workforce structure

In 2019 and 2018, the average employment number (employees and permanent associates) at the IPOPEMA Securities Group was as follows:

	2019	2018
Management Board of the parent	4	4
Management Boards of the Group companies	5	4
Other	209	198
Total	**218**	**206**

32. Clients' financial instruments

Clients' financial instruments	Dec 31 2019	Dec 31 2018
Securities admitted to official listing		
- quantity	111,180	107,055
- amount	514,479	797,808
Securities not admitted to official listing		
- quantity	36,070	32,031
- amount	10,901	43,390
Designated sponsor		
(i) shares		
- quantity	291	291
- amount	554	350
(ii) bonds		
- quantity	0.033	-
- amount	3,300	-
(iii) investment certificates		
- quantity	161	-
- amount	28,824	-

33. Auditor's fees

Grant Thornton Polska Sp. z o.o. Sp. K., with its registered office at ul. Abpa Antoniego Baraniaka 88 E., Poznań, Poland, is the entity authorised to audit the Company's/ the Group's annual separate and consolidated financial statements and to review half-year financial statements.

	2019	2018
Mandatory audit of financial statements	104	106
Other assurance services	96	96
Other services	-	-
Total	**200**	**202**

34. Discontinued operations

The Group did not identify any discontinued operations in 2019 or 2018. Accordingly, all information presented in these consolidated financial statements relates to continuing operations.

35. Events subsequent to the end of reporting period

All events with effect on the 2019 consolidated financial statements are disclosed in the accounting records for 2019.

Other events

The most important and dominant factor with a direct impact on the activities of almost all businesses is the global coronavirus pandemic. Given its scale and the pace of spreading, the pandemic triggered volatility and concerns about the state of the economy, both on a global scale and locally, which have not been seen for years. It is widely accepted that a global economic crisis is to be expected, with its scale and economic impact currently difficult to predict. While more and more countries are taking concrete steps to mitigate the negative economic impact of the pandemic, with significant financial resources committed, it is not possible to assess the effectiveness of these measures at this stage.

Considering that the spread of coronavirus in Poland has been relatively recent, this has not had a significant negative impact on the Group's revenue in the first quarter of 2020. The system of work at the Group companies was smoothly reorganized, with no adverse effect on the continuity of the Group's business and its ability to conduct day-to-day operations. Nevertheless, the economic effects of the pandemic will probably affect individual segments of the Group's business in subsequent periods. However, as the current situation is unprecedented, the effects of the pandemic on the economy and, consequently, on the Group's and its individual companies' activities cannot be meaningfully measured and evaluated at this stage.

For more information on the assessment of the effects of the pandemic on the Group's business, see section 4 of the Directors' Report.

Warsaw, March 30th 2020

Jacek Lewandowski President of the Management Board	Mariusz Piskorski Vice President of the Management Board	Stanisław Waczkowski Vice President of the Management Board	Mirosław Borys Vice President of the Management Board	Danuta Ciosek Chief Accountant