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**IPOPEMA Securities S.A.**  
**00-107 Warszawa, ul. Próżna 9**

**Audit Report**  
**on the year-end consolidated financial statements**  
**for the period from 1 January 2017 to 31 December 2017**

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**INDEPENDENT AUDITOR'S REPORT**  
**ON THE YEAR-END CONSOLIDATED FINANCIAL STATEMENTS**  
**for the General Meeting and Supervisory Board of**  
**IPOPEMA Securities S.A.**

We have audited the accompanying year-end consolidated financial statements of the Group, where the holding company is IPOPEMA Securities S.A. ("the Company") with its registered office in Warsaw, ul. Próżna 9, consisting of: the year-end consolidated statement of financial position prepared as at 31 December 2017, the year-end consolidated profit and loss account, the year-end consolidated statement of comprehensive income, the year-end consolidated statement of cash flows and the year-end consolidated statement of changes in equity for the period from 1 January to 31 December 2017, along with additional information on significant accounting policies and notes to the financial statements ("the consolidated financial statements").

*Responsibilities of the Holding Company's Management Board and Supervisory Board for the Consolidated Financial Statements*

The Holding Company's Management Board is responsible for the preparation of the year-end consolidated financial statements and for their fair presentation in accordance with International Accounting Standards, International Financial Reporting Standards and the related interpretations announced in the form of European Commission regulations, as well as other binding legal regulations and the Holding Company's Statute. The Holding Company's Management Board is also responsible for such internal controls as it considers necessary to ensure that the consolidated financial statements are free from material misstatements resulting from fraud or error.

In accordance with the Accounting Act of 29 September 1994 (2018 Journal of Laws, item 395 with subsequent amendments) ("the Accounting Act"), the Holding Company's Management Board and members of its Supervisory Board are required to ensure that the consolidated financial statements meet the requirements of the Accounting Act.

*Responsibilities of the Auditor*

Our responsibility was to express an opinion whether the consolidated financial statements present truly and fairly the group's financial position and financial result in accordance with the applicable International Accounting Standards, International Financial Reporting Standards and the related interpretations announced in the form of European Commission regulations, as well as with the adopted accounting methods (policies).

This document is a translation.  
The Polish original should be referred to in matters of interpretation.



We performed the audit of the consolidated financial statements in accordance with the provisions of:

- 1) the Act of 11 May 2017 on certified auditors, audit firms and on public supervision (2017 Journal of Laws, item 1089) ("the Certified Auditors Act"),
- 2) National Standards on Auditing in the wording of International Standards on Auditing, adopted in Resolution No. 2783/52/2015 passed by the National Council of Certified Auditors on 10 February 2015 with subsequent amendments,
- 3) Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (Official Journal of the EU L 158 of 27 May 2014, page 77 and Official Journal of the EU L 170 of 11 June 2014, page 66) ("Regulation 537/2014").

These regulations require us to comply with ethical requirements and to plan and perform the audit in a manner that allows us to obtain sufficient assurance that the consolidated financial statements are free from material misstatements.

The objective of an audit is to obtain sufficient assurance about whether the consolidated financial statements as a whole are free from material misstatements due to fraud or error, and to issue an independent auditor's report that includes our opinion. Sufficient assurance is a high level of assurance, but it is not a guarantee that an audit performed in accordance with the above standards will always detect an existing material misstatement. Misstatements can arise from fraud or error and are considered material if it could be reasonably expected that they, individually or in aggregate, could influence the economic decisions of users made on the basis of these consolidated financial statements. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, because fraud may involve collusion, forgery, deliberate omission, misrepresentation or circumvention of internal controls, and may pertain to every area of law and regulations, not just those that have a direct impact on the consolidated financial statements.

The audit consisted of performing procedures aimed at obtaining audit evidence on the amounts and information disclosed in the consolidated financial statements. We choose the procedures based on our judgement, including an assessment of the risk of material misstatements in the consolidated financial statements due to fraud or error. In assessing this risk we consider the internal controls related to the preparation and fair presentation of the consolidated financial statements in order to plan our audit procedures, and not to express an opinion on the effectiveness of internal controls. An audit also includes assessing the appropriateness of the accounting policies used and the reasonableness of the estimates made by the Holding Company's Management, as well as evaluating the overall presentation of the year-end consolidated financial statements.

The scope of the audit does not include an assurance regarding the group's future profitability, or regarding the Holding Company Management's effectiveness in the handling of the group's affairs now or in the future.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our opinion is consistent with the additional report for the Audit Committee issued on the date of the present audit report.



### *Independence*

During the audit the auditor in charge and the audit firm remained independent of the entities comprising the group in accordance with the provisions of the Certified Auditors Act, Regulation 537/2014 and the ethical standards adopted by the National Council of Certified Auditors.

To the best of our knowledge and belief we declare that we have provided no non-audit services forbidden by the provisions of Article 136 of the Certified Auditors Act and Article 5 point 1 of Regulation 537/2014 to the entities comprising the group.

### *Selection of Auditor*

We were selected as the auditor of the consolidated financial statements in a resolution passed by the Company's Supervisory Board on 20 June 2011. We have audited the consolidated financial statements continually since the financial year ended 31 December 2007, of which as a public interest entity since the financial year ended 31 December 2009 (counting in accordance with the interpretation of the European Commission from the first financial year after the year, in which the entity was given the status of a public interest entity); i.e. for 11 consecutive years, of which 8 years as a public interest entity.

### *Most significant types of risk*

In the course of the audit we identified the below described most significant types of risk of material misstatement, including from fraud, and have designed audit procedures appropriate for those types of risk.

Risk of material misstatement	Audit procedures performed in response to the risk
<i>Recognition of revenue</i>	
<p>The sales revenue for the financial year ended 31 December 2017 presented in note 16.1 to the accompanying consolidated financial statements includes:</p> <ul style="list-style-type: none"><li>• revenue from brokerage activities in the amount of 45 644 thousand zł,</li><li>• revenue from investment fund and portfolio management in the amount of 30 357 thousand zł,</li><li>• revenue from advisory services in the amount of 21 154 thousand zł.</li></ul> <p><b>Revenue from investment fund management</b> and client assets management, consisting of management fees, is accrued as a specified percentage of the value of the investment funds' net assets as at the valuation date; in addition, with regard to the variable portion of the management fee, the revenue depends on the performance of the investment funds. The net value of the investment funds' assets is strictly related to the fair value of the financial instruments comprising the investment portfolio of the funds. The process of measuring the value</p>	<p>As part of our audit procedures we in particular: obtained an understanding of the revenue recognition process at the Holding Company and the consolidated subsidiaries, and of the related internal control environment.</p> <p>For the revenue earned from brokerage activities we agreed the revenue from stock exchange commissions with the brokerage reports. For a selected sample, we obtained a list of transactions and agreed the amount of commissions with the general terms in the fee schedule or the individual terms specified in order agreements. We agreed receivables and payables with the market/counterparties and clients.</p> <p>We obtained an understanding of the processes relating to investment funds, including the process of recognizing the funds' capital and measuring the value of investment fund units/investment certificates. We familiarized ourselves with the results of work performed by the auditors of the investment funds.</p>

of the investments is to a great extent based on computer systems. The fair value of non-liquid and unlisted investment components is measured using the adjusted acquisition cost less impairment losses, if any. To determine the value of the net assets of the managed funds underlying the management fee the Management Board must to a great extent rely on professional judgment and estimates when using valuation models.

We paid special attention to the matter of recognizing revenue from fund management fees due to the risk that the revenue would not be recognized in accordance with IAS18, including the risk of an error in the calculation of receivable revenue.

We paid special attention to the matter of recognizing revenue from advisory services, such as the design and implementation of IT systems, due to the long-term nature of the provided services. The complexity of the process in particular pertains to budgeting the cost of the service and of adjusting the budget in the course of its performance, as well as to the correct assignment of the cost to the appropriate project and period. In consequence, this has a significant effect on the value of the revenue recognized in the period.

With regard to revenue from investment fund management we analyzed the revenue accrued in the reporting period against the value of the net assets of the managed funds as at the individual valuation dates, as well as the management fee rates provided for in the statutes of the funds. In addition, we checked the consistency of the fee rates with the agreements concluded with investors and the statutes of the funds with flat rate fees. For a selected sample, we also compared the resulting revenue with the investment fund management costs recognized in the audited period in the books of account of the investment funds managed by IPOPEMA Towarzystwo Funduszy Inwestycyjnych ("TFI", "the Subsidiary").

We checked the entries made on revenue accounts after the balance sheet date, with particular attention given to the entries that adjust the value of revenue. We compared the value of the net assets of the actively managed funds with the revenue sub-ledgers in order to identify cases when no fee is collected. We obtained information and checked the basis for the non-accrual of fees on managed investment funds for business reasons, due to their liquidation or where the investment certificates are held by related parties. We obtained an explanation of the reason for this state of affairs from the Management of TFI.

For a selected sample of revenue from advisory services we analyzed the revenue accrued in the reporting period against contractual provisions and checked the documentation confirming the performance of services, which we subjected to a critical analysis. We requested and for the most part received independent confirmations of unpaid receivable balances. In addition, we performed a completeness analysis of the recognition of subsequent events.

On a selected example we traced the budgeting process. We agreed actual data from the books of account from the last day of the audited period with the updated budget data as at the valuation date. We analyzed the consistency of budget construction by making comparisons and reconciliations with the actual subcontracts.

Based on a sample of source documents we assessed the correctness of the assignment of costs to the appropriate project and period. We also checked if no projects are being performed with a zero or negative margin.

<i>Significant ongoing dispute</i>	
<p>A claim has been filed against IPOPEMA Towarzystwo Funduszy Inwestycyjnych for an alleged loss incurred by an investor on an investment in investment certificates of a fund managed by TFI.</p> <p>The ongoing court proceeding on this claim against the Subsidiary in the amount of 20,555 thousand zł has been described in note 30.1 to the accompanying consolidated financial statements. Because the outcome of the proceeding depends on future resolutions, and thus carries a high risk, due to the uncertainty we classified this matter as a key audit matter.</p>	<p>We discussed the ongoing proceeding with the Management of the Holding Company and the Management of TFI in order to understand the judgment applied based on the information available. We considered the possible alternative outcomes of the court proceeding based on an analysis of the relevant legal documentation, and in particular a letter from the lawyers received by us directly from the law office handling the TFI's matters. We analyzed the law office's assessment, which states that due to the complex legal status of the case and very preliminary stage of the proceeding, it is not possible to quantify the potential liabilities resulting from the ongoing proceeding.</p>

### *Opinion*

In our opinion, the accompanying year-end consolidated financial statements:

- a) give a true and fair view of the group's financial position as at 31 December 2017, as well as of its financial result for the period from 1 January to 31 December 2017, in accordance with International Accounting Standards, International Financial Reporting Standards and the related interpretations announced in the form of European Commission regulations, as well as the adopted accounting methods (policies),
- b) are consistent, in content and in form, with the requirements of the Minister's of Finance Decree of 19 February 2009 on the current and periodic information provided by the issuers of securities and on the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state ("the Decree" - 2014 Journal of Laws, item 133 with subsequent amendments), as well as with other applicable laws and regulations and with the Holding Company's Statute.

### **Report on Other Legal and Regulatory Requirements**

#### *Opinion on the Directors' Report on the Group's Activities*

Our opinion on the financial statements does not cover the Directors' Report on the group's activities.

The Holding Company's Management Board is responsible for the preparation of the Directors' Report on the group's activities in accordance with the Accounting Act and other binding regulations. In addition, the Holding Company's Management Board and members of its Supervisory Board are responsible for ensuring that the Directors' Report on the group's activities meets the requirements of the Accounting Act.

In connection with our audit of the year-end consolidated financial statements our responsibility was to read the Directors' Report on the group's activities and to indicate whether it complies with the applicable binding regulations and is consistent with the information presented in the year-end consolidated financial statements.

It was also our responsibility to report whether, based on our knowledge obtained during the audit about the group and its environment, we have identified any material misstatements in the Directors' Report on the group's activities, as well as to indicate the nature of each such misstatement.

In our opinion, the Directors' Report on the group's activities has been prepared in accordance with Article 49 of the Accounting Act and the Decree, and is consistent with the information presented in the year-end consolidated financial statements. Furthermore, based on our knowledge obtained during the audit about the group and its environment we have identified no material misstatements in the Directors' Report on the group's activities.

#### *Opinion on the Declaration on the Application of Corporate Governance*

The Holding Company's Management Board and members of its Supervisory Board are responsible for the preparation of a declaration on the application of corporate governance in accordance with binding regulations.

In connection with our audit of the consolidated financial statements it was our responsibility under the Certified Auditors Act to express an opinion on whether an issuer required to file a declaration on the application of corporate governance, which constitutes a separate section of the Directors' Report on the group's activities, included in this declaration the information required by legal regulations, and - with respect to certain information indicated in the regulations - to report on whether this information is consistent with the applicable regulations and with the information contained in the year-end consolidated financial statements.

In our opinion, the Holding Company's declaration on the application of corporate governance contains the information specified in paragraph 91 section 5 point 4 letters a, b, g, j, k and l of the Minister's of Finance Decree of 19 February 2009 on the current and periodic information provided by the issuers of securities and on the conditions for recognizing as equally valid the information required by the regulations of a state that is not a member state (2014 Journal of Laws, item 133 with subsequent amendments) ("*the Decree*"). The information indicated in paragraph 91 section 5 point 4 letters c-f, h and i of the Decree contained in the declaration on the application of corporate governance is consistent with the applicable regulations and with the information contained in the year-end consolidated financial statements.

#### *Other information on compliance with legal regulations*

The Holding Company's Management Board is responsible for ensuring compliance with binding prudential regulations set forth in separate provisions, and in particular for the correct calculation of capital ratios.

The Group's capital ratios as at 31 December 2017 are presented in note 14.4 to the consolidated financial statements. It is our responsibility to inform in our audit report on the consolidated financial statements whether the Group complies with the binding prudential regulations specified in resolutions passed by the Polish Financial Supervision Authority (KNF), the KNF's recommendations, the provisions 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 (CRR), and the related prudential regulations issued by the Commission (EU) on capital adequacy.



It is not an objective of an audit of financial statements to express an opinion on the entity's compliance with the prudential regulations specified in the above listed separate regulations, and in particular on the entity's calculation of its capital ratios. Accordingly, we do not express such an opinion.

In connection with our audit of the consolidated financial statements we performed procedures relating to the capital ratios and identified no material misstatements in the calculation of the ratios with an effect on the consolidated financial statements as a whole.

We therefore find that the Holding Company's Management Board has correctly calculated the capital ratios in accordance with the above regulations.

Warsaw, 27 March 2018

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Auditor in charge:

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Certified Auditor No. 173

On behalf of BDO Sp. z o.o.

Dr. André Helin  
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