IPOPEMA Securities Group
IPOPEMA Securities S.A.

Consolidated financial statements

for the year ended December 31st 2017

Warsaw, March 27th 2018

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Statement of compliance

The Management Board of IPOPEMA Securities S.A. hereby represents that:

- to the best of its knowledge, the consolidated financial statements for the year ended December 31st 2017 and the comparative data have been prepared in compliance with the applicable accounting standards and give a clear, true and fair view of the assets, financial condition and financial performance of the IPOPEMA Securities Group;
- the Directors' Report on the operations of the IPOPEMA Securities Group in 2017 gives a true picture of the Group's development, achievements and position; it also includes a description of risks and threats;
- BDO Sp. z o.o., registered office at ul. Postępu 12, Warsaw, a qualified auditor of financial statements, entered in the list of qualified auditors of financial statements maintained by the National Chamber of Statutory Auditors (NCSA) under Reg. No. 3355, which audited the full-year separate and consolidated financial statements, was appointed in compliance with applicable laws. BDO Sp. z o.o and the Auditor who audited the full-year consolidated financial statements of the IPOPEMA Securities Group as at December 31st 2017 meet the criteria for issuing an objective and independent auditor's opinion on the full-year financial statements, in accordance with the applicable laws and professional standards.

Warsaw, March 27th 2018

Management Board of IPOPEMA Securities S.A.:

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

Financial highlights

Consolidated financial highlights	PLN '000 2017	PLN '000 2016	EUR '000 2017	EUR '000 2016
Revenue from core activities	97,155	88,038	22,889	20,120
Cost of core activities	88,828	84,700	20,927	19,357
Profit on core activities	8,327	3,338	1,962	763
Operating profit	5,846	3,669	1,377	838
Profit before tax	3,663	3,096	863	708
Net profit on continuing operations	2,458	2,365	579	540
Net profit	2,458	2,365	579	540
Earnings from continuing operations per ordinary share (PLN/ EUR)				
- basic	0.06	0.05	0.01	0.01
- diluted	0.06	0.05	0.01	0.01
Net cash flow from operating activities	8,765	- 95,488	2,065	- 21,822
Net cash from investing activities	7,092	- 6,050	1,671	- 1,383
Net cash from financing activities	9,478	- 5,079	2,233	- 1,161
Total cash flows	25,335	- 106,617	5,969	- 24,366

Consolidated financial highlights	PLN '000 Dec 31 2017	PLN '000 Dec 31 2016	EUR '000 Dec 31 2017	EUR '000 Dec 31 2016
Total assets	361,513	340,349	86,675	76,932
Current liabilities	266,585	246,505	63,915	55,720
Equity	84,205	83,635	20,189	18,905
Number of shares	29,937,836	29,937,836	29,937,836	29,937,836
Book value per share (PLN/EUR)	2.81	2.79	0.67	0.63

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 a given period	2017	2016
EUR	4.2447	4.3757

- Items of the consolidated statement of financial position:

Exchange rate as at	Dec 31 2017	Dec 31 2016
EUR	4.1709	4.4240

These consolidated financial statements for the year ended December 31st 2017 were authorised for issue by the Management Board on March 27th 2018.

- The lowest and the highest EUR exchange rate in the period:

EUR	2017	2016
Lowest exchange rate	4.1709	4.2355
Highest exchange rate	4.4157	4.5035

Consolidated statement of comprehensive income

for the year ended December 31st 2017

	Note	2017	2016
CONTINUING OPERATIONS			
Revenue from core activities, including:	16.1	**97,155**	**88,038**
Revenue from brokerage activities		45,644	37,457
Revenue from investment fund and asset management		30,357	32,762
Revenue from advisory services		21,154	17,819
Cost of core activities	16.2	**88,828**	**84,700**
Profit/(loss) on core activities		**8,327**	**3,338**
Gain/(loss) on transactions in financial instruments held for trading	16.4	- 1,583	10
Gain/(loss) on transactions in financial instruments held to maturity		-	-
Gain/(loss) on transactions in financial instruments available for sale		790	234
Other income	16.5	1,626	1,135
Other expenses	16.5	3,314	1,048
Operating profit/(loss)		**5,846**	**3,669**
Finance income	16.3	1,018	1,464
Finance costs	16.3	3,201	2,037
Gross profit (loss)		**3,663**	**3,096**
Income tax	19	1,205	731
Net profit/(loss) on continuing operations		**2,458**	**2,365**
DISCONTINUED OPERATIONS		**-**	**-**
Net profit/(loss) for period		**2,458**	**2,365**
Attributable to:			
Owners of the parent		1,651	1,463
Non-controlling interests		807	902
Earnings/(loss) per share (PLN)	10	0.06	0.05
Diluted earnings/(loss) per share (PLN)	10	0.06	0.05
Net profit for period		**2,458**	**2,365**
Other comprehensive income that may be reclassified to profit or loss		**- 92**	**155**
Gains and losses on remeasurement of financial assets available for sale		- 113	192
Income tax on items of other comprehensive income	19	21	- 37
Comprehensive income for period		**2,366**	**2,520**
Attributable to:			
Owners of the parent		1,559	1,618
Non-controlling interests		807	902

Warsaw, March 27th 2018

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

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Consolidated statement of financial position

As at December 31st 2017

ASSETS	Note	Dec 31 2017	Dec 31 2016
Cash and cash equivalents	13.1	67,482	42,714
Short-term receivables	13.2, 26	269,162	268,907
Tax assets		157	-
Current prepayments and accrued income	13.3	1,474	1,092
Financial instruments held for trading	13.4, 20.2	3,009	126
Financial instruments held to maturity		-	-
Financial instruments available for sale	13.5, 20.2	9,459	16,432
Investments in jointly controlled entities and associates		-	-
Long-term receivables		2,943	1,384
Long-term loans advanced	20.1	35	54
Property, plant and equipment	13.6	3,330	4,781
Investment property		-	-
Intangible assets	13.7	2,353	2,859
Deferred tax assets	19	1,768	1,756
Non-current prepayments and accrued income		341	244
TOTAL ASSETS		**361,513**	**340,349**

EQUITY AND LIABILITIES		Dec 31 2017	Dec 31 2016
Current liabilities	15.3	266,113	246,068
Current tax liabilities		472	437
Other financial liabilities		-	-
Non-current liabilities		3,185	487
Deferred tax liabilities	19	59	49
Accruals	15.1	7,479	9,673
Total liabilities		**277,308**	**256,714**
Share capital	14.1	2,994	2,994
Other capital reserves	14.2	13,738	13,830
Retained earnings	14.2	63,154	62,401
Total equity		**79,886**	**79,225**
Non-controlling interests	14.3	**4,319**	**4,410**
Total equity		**84,205**	**83,635**
TOTAL EQUITY AND LIABILITIES		**361,513**	**340,349**

Warsaw, March 27th 2018

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Consolidated statement of cash flows

for the year ended December 31st 2017

CASH FLOWS	Note	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES	26		
Profit before tax		**3,663**	**3,096**
Total adjustments:		**5,102**	**- 98,584**
Depreciation and amortisation		2,741	2,699
Foreign exchange gains/(losses)		118	108
Interest and dividends		1,027	1,171
Gain/(loss) on investing activities		- 316	- 206
Increase/(decrease) in financial instruments available for sale		-	-
Increase/(decrease) in financial instruments held for trading		- 2,883	1,089
Increase/(decrease) in receivables		- 3,051	- 90,714
Increase/(decrease) in current liabilities (net of borrowings)		10,168	- 11,872
Change in provisions and impairment losses on receivables		1,364	310
Increase/(decrease) in accruals and deferrals		- 2,596	- 227
Income tax paid		- 1,340	- 964
Other adjustments		- 130	22
Net cash from operating activities		**8,765**	**- 95,488**
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in loans advanced		- 48	- 263
Profit distributions (dividends) received		33	52
Interest received		123	138
Decrease in loans advanced		181	446
Purchase of property, plant and equipment and intangible assets		- 1,334	- 1,507
Acquisition of financial instruments available for sale and held to maturity		- 20,280	- 12,887
Proceeds from financial instruments available for sale and held to maturity		28,337	7,971
Sale of property, plant and equipment and intangible assets		80	-
Net cash from investing activities		**7,092**	**- 6,050**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		12,567	-
Proceeds from issue of securities		7	3
Repayment of debt securities		- 7	- 7
Interest paid		- 1,158	- 1,203
Repayment of finance lease liabilities		- 511	- 226
Repayment of borrowings		-	- 353
Dividends paid to owners of the parent		- 898	- 3,293
Dividends to non-controlling interests		- 900	-
Other proceeds – interest on leases		378	-
Net cash from financing activities		**9,478**	**- 5,079**
Total cash flows		**25,335**	**- 106,617**

Net increase in cash and cash equivalents	25,217	- 106,712
Effect of exchange rate fluctuations on cash held	- 118	- 95
Cash at beginning of period	42,185	148,802
Cash at end of period, including	**67,520**	**42,185**
*restricted cash**	*39,778*	*12,411*

** Restricted cash includes primarily clients' funds held by the Company.*

Warsaw, March 27th 2018

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Consolidated statement of changes in equity

for the year ended December 31st 2017

	Equity attributable to owners of the parent						
		Other capital reserves					
	Share capital	Share premium	Revaluation capital reserve	Other capital reserves	Retained earnings	Non-controlling interests	Total equity
As at January 1st 2017	**2,994**	**10,351**	**265**	**3,214**	**62,401**	**4,410**	**83,635**
Profit for 2017	-	-	-	-	1,651	807	2,458
Other comprehensive income	-	-	- 92	-	-	-	- 92
Dividend paid	-	-	-	-	- 898	- 900	- 1,798
Other increase/decrease	-	-	-	-	-	2	2
As at December 31st 2017	**2,994**	**10,351**	**173**	**3,214**	**63,154**	**4,319**	**84,205**
As at January 1st 2016	**2,994**	**10,351**	**110**	**3,214**	**64,231**	**3,508**	**84,408**
Profit for 2016	-	-	-	-	1,463	902	2,365
Other comprehensive income	-	-	155	-	-	-	155
Dividend paid	-	-	-	-	- 3,293	-	- 3,293
As at December 31st 2016	**2,994**	**10,351**	**265**	**3,214**	**62,401**	**4,410**	**83,635**

Warsaw, March 27th 2018

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Vice President of the Management Board

Danuta Ciosek
Chief Accountant

Notes

1. IPOPEMA Securities Group

The IPOPEMA Securities Group (the ‘Group’, ‘IPOPEMA Group’) comprises entities controlled by IPOPEMA Securities S.A. (the ‘parent’ or ‘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 2017, the IPOPEMA Securities Group comprised IPOPEMA Securities S.A. and its subsidiaries (the subsidiaries are presented in Note 2). All the companies comprising the IPOPEMA Securities Group 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 (under the name of Dom Maklerski IPOPEMA S.A.) for indefinite time.

The parent is entered 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. conducts brokerage activities pursuant brokerage licences granted 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.

As at December 31st 2016, the Management Board comprised also Daniel Ścigała. On January 4th 2017, Mr Ścigała tendered his resignation as a Management Board Member, with effect as of January 31st 2017.

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,
Bogdan Kryca – Member of the Supervisory Board,
Michał Dobak – Member of the Supervisory Board,
Piotr Szczepiórkowski – Member of the Supervisory Board.

In connection with the expiry of the statutory mandate of the Supervisory Board, on June 27th 2017 the Annual General Meeting elected the Supervisory Board for the next term of office. Mr Zbigniew Mrowiec, who resigned as candidate for the new term, was replaced on the Supervisory Board by Piotr Szczepiórkowski.

Business profile

The Group's principal business activities are:

1 brokerage activities,
2 business and management advisory services,
3 operation of investment fund companies, as well as creation and management of investment funds
4 management of portfolios of broker-traded financial instruments,
5 computer facilities management activities,
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 customers (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 '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 Q1 2017 they were taken over by a dedicated subsidiary IPOPEMA Financial Advisory Sp. z o.o. spółka komandytowa ('IFA SK').

As part of its brokerage business, the Company provides comprehensive intermediation services for institutional clients related to securities trading, chiefly on the exchanges where it has the status of a member, i.e. the Warsaw Stock Exchange ('WSE'), the Budapest Stock Exchange ('BSE') , the Prague Stock Exchange ('PSE'), but also on other global stock exchanges. In February 2014, the Company was registered as an entity regulated by the Romanian Financial Supervision Authority, and in June 2014 it became a member of the Bucharest Stock Exchange. Since 2010, the Company has been providing intermediation services in debt instruments trading outside the regulated market. The Company's partners and clients include both high-profile international financial institutions and most of the leading local institutional investors, including open-end pension funds, investment fund companies, asset managers and insurers. The brokerage operations of IPOPEMA Securities S.A. are supported by a team of analysts, who prepare research reports, recommendations and comments on several dozen companies listed on the WSE and foreign stock exchanges.

The Company's investment banking offering includes 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). In particular, the Company focuses on public offerings of securities (especially shares) – in which it acts as coordinator, offering broker and financial adviser – M&A 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.

In February 2016, the Company expanded its existing offering of brokerage services and investment products, including active investment advisory services, by targeting a broader base of retail customers. These activities are carried out directly by IPOPEMA Securities and through third parties acting as its agents. At present, there are four such agents (Expander Advisors, NWAI Dom Maklerski, Grupa Finanset and HKN Capital Fund).

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 a dedicated subsidiary IFA SK.

IPOPEMA TFI's business focuses on the creation and management of both closed-end investment funds (targeted at high-net-worth individuals and corporate clients) and open-end investment funds (offered to a wide group 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. focuses on the provision of advisory services in the area of corporate strategies and operations, 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 entities have been established for indefinite time.

As at December 31st 2017, the Group comprised IPOPEMA Securities S.A. and the following subsidiaries:

1) consolidated subsidiaries controlled by the Company

Company	Principal business	Ownership interest	% of voting rights
IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A.	- operation of investment fund companies, as well as creation and management of investment funds - discretionary management of securities portfolios - advisory services in the area of securities trading - intermediation in the sale and redemption of investment fund units - representation service for foreign funds	100%	100%
IPOPEMA Business Consulting Sp. z o.o.	- other business and management consultancy services - computer facilities management activities, - computer consultancy services - software-related activities - wholesale of computers, computer peripherals and software	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	N/A	
2) non-consolidated subsidiaries controlled by the Company:			
IPOPEMA Financial Advisory Sp. z o.o. *	- support for the activities of IPOPEMA Financial Advisory Sp. z o.o. spółka komandytowa	100%	100%
IPOPEMA Business Services Srl. **	- office and business support – the company has been placed in liquidation	100%	100%

**In May 2016, the Company purchased from IBC all shares in IPOPEMA Outsourcing Sp. z o.o. In August 2016, the company's name was changed to IPOPEMA Financial Advisory Sp. z o.o. (IFA)*

*** Following the change of the business model for foreign markets, the process of winding up IBS Srl. began in 2016;*

Pursuant to Art. 58.1 of the Accounting Act, IPOPEMA Business Services Srl and IPOPEMA Financial Advisory Sp. z o.o. are not consolidated as their effect on the Group's financial data is immaterial.

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

IPOPEMA TFI was established on March 14th 2007 and operates under the licence issued by the Polish Financial Supervision Authority (PFSA) on September 13th 2007. Its business profile comprises: (i) operation of an investment fund company, as well as creation and management of investment funds, (ii) discretionary management of securities portfolios, (iii) advisory services in the area of securities trading, (iv) intermediation in the sale and redemption of investment fund units, and (v) representation service for foreign funds. IPOPEMA TFI’s share capital amounts to PLN 10,599,441.00 and comprises 3,533,147 registered shares. The composition of the Management Board was as follows: Jarosław Wikaliński (President), Maciej Jasiński and Jarosław Jamka (Vice-Presidents), and Renata Wanat-Szelenbaum (Member). The board members have many years of practice and experience in financial markets, including in asset management and creation of investment funds. On November 28th 2017, Renata Wanat-Szelenbaum was removed from the Management Board. On March 14th 2017, Maciej Jasiński tendered his resignation from the Management Board citing personal reasons, but he has stayed with the IPOPEMA Group and continues to be involved in the activities of IPOPEMA TFI. IPOPEMA Securities S.A. holds 100% of shares and votes at the General Meeting of IPOPEMA TFI.

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

IPOPEMA Business Consulting Sp. z o.o. was established on August 26th 2008. Its share capital amounts to 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 the Management Board of IPOPEMA BC. The company’s business profile comprises: (i) other business and management consulting services (ii) computer facilities management activities, (iii) IT advisory services, (iv) software-related activities, (v) wholesale of computers, computer peripheral equipment and software.

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

In May 2016, the Company purchased from IBC all shares in IPOPEMA Outsourcing Sp. z o.o. In August 2016, the company's name was changed to IPOPEMA Financial Advisory Sp. z o.o. (IFA). IFA is wholly owned by the Company.

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

In July 2016, 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 entered in the Business Register. The Company's maximum liability for IFA SK's liabilities to creditors is PLN 7,750. The structure comprising IFA and IFA SK was established in connection with 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).

IPOPEMA Business Services SRL w likwidacji (in liquidation) ('IBS Srl') – a subsidiary

IPOPEMA Business Services Srl of Bucharest, Romania, is a commercial company under Romanian law, established on September 24th 2014. IBS Srl is wholly owned by IPOPEMA Securities S.A. The share capital of IBS Srl amounts to RON 200 (PLN 196). Following the chage of the business model for foreign markets, the process of winding up IBS Srl. began in 2016.

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 approval of these consolidated financial statements, 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 2017 and contain comparative data for the year ended December 31st 2016.

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

These consolidated financial statements were prepared in accordance with the historical cost convention, save for financial instruments held for trading and financial instruments available for sale, which are measured at fair value.

3.3. Statement of compliance

These consolidated financial statements were prepared in accordance with the International Accounting Standards/International Financial Reporting Standards ('IFRS') and related 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 have been made to achieve 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 figures in these financial statements are presented in thousands of Polish złoty, unless stated otherwise.

3.5. Comparability of data

There were no material presentation changes in 2017 and 2016.

4. Material 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 2017:

- Amendments to IAS 12: *Recognition of deferred tax assets for unrealised losses* clarify the requirements on recognition of deferred tax assets related to debt instruments measured at fair value, estimation of probable future taxable profit, and assessment whether an entity will earn sufficient profits against which the entity can utilise deductible temporary differences;
- Amendments to IAS 7 Disclosure Initiative are intended to improve information provided to users of financial statements about an entity's financing activities by including additional disclosures of changes in the carrying amount of liabilities arising from the entity's financing activities;
- Amendments to IFRS 12 *Disclosure of Interests in Other Entities*, introduced as part of the Annual Improvements to IFRS Standards 2014–2016 Cycle, clarify that an entity may elect to measure an investment in an associate or a joint venture held by an entity that is a venture capital organisation or similar entities at fair value through profit or loss in accordance with IFRS 9, with the election made separately for each associate or joint venture on initial recognition;
- Amendments to various standards "Amendments to IFRSs (Cycle 2014–2016)" – amendments made to IFRS (IFRS 1, IFRS 12, and IAS 28), primarily aimed at resolving discrepancies and clarifying terminology (amendments to IFRS 12 are effective for annual periods beginning on or after January 1st 2017, and amendments to IFRS 1 and IAS 28 are effective for annual periods beginning on or after January 1st 2018);

The Group believes that the above standards and interpretations did not have a material effect on its consolidated financial statements when first adopted, resulting only in changes to applied accounting policies or broadening the scope of required disclosure.

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:

- IFRS 9 *Financial Instruments* – published by the International Accounting Standards Board on July 24th 2014; the standard's final version supersedes previous versions of IFRS 9, completing the Board's project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard regulates classification and measurement of financial assets and liabilities, as well as impairment and hedge accounting. IFRS 9 does not include guidelines on hedge accounting of portfolios of financial assets and liabilities, since these matters are covered by a separate project of the International Accounting Standards Board. The standard is effective for annual periods beginning on or after January 1st 2018;

  The impact of the standard on the consolidated financial statements is described in Note 5.1.
- IFRS 14 *Regulatory Deferral Accounts* – published on January 30th 2014, applies to annual periods beginning on or after January 1st 2016. The new standard is an interim solution to be applied while the IASB is working to develop a new accounting model for rate-regulated activities. The standard introduces rules governing recognition of assets and liabilities arising from transactions conducted at prices or rates subject to regulation , applicable to entities adopting IFRS for the first time;

- IFRS 15 *Revenue from Contracts with Customers* − published by the International Accounting Standards Board on May 28th 2014, effective for annual periods beginning on or after January 1st 2018;

  The impact of the standard on the consolidated financial statements is described in Note 5.2.

- IFRS 16 *Leases* – published by the International Accounting Standards Board on January 13th 2016, effective for annual periods beginning on or after January 1st 2019; IFRS 16 introduces new rules for the recognition of leases;

  The impact of the standard on the consolidated financial statements is described in Note 5.3.

- Clarifications to IFRS 15 *Revenue from Contracts with Customers* – the clarifications provide additional information and explanations concerning the main points of IFRS 15, such as identification of individual performance obligations in the contract, determination whether the entity is an agent or a principal under the contract, and accounting for revenue from licences. In addition to additional clarifications, exemptions and simplifications for first-time adopters were also introduced. The clarifications are effective for annual periods beginning on or after January 1st 2018;
- Amendments to IFRS 2 *Share-based Payment* – published by the International Accounting Standards Board on June 20th 2016, effective for annual periods beginning on or after January 1st 2018;
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments* with IFRS 4 *Insurance Contracts* – published by the International Accounting Standards Board on September 12th 2016, effective for annual periods beginning on or after January 1st 2018;
- Amendments to IAS 40 *Transfers of Investment Property* – published by the International Accounting Standards Board on December 8th 2016, effective for annual periods beginning on or after January 1st 2018;
- IFRIC 22 Foreign Currency Transactions and Advance Consideration – published by the International Accounting Standards Board on December 8th 2016, effective for annual periods beginning on or after January 1st 2018;
- IFRS 17 *Insurance Contracts* – published on 18 May 2017, effective for annual periods beginning on or after January 1st 2021. Its prior use is permitted (provided that IFRS 15 and IFRS 9 are simultaneously applied). The standard replaces the existing regulations on insurance contracts (IFRS 4);
- Amendments to IFRS 10 and IAS 28 *Sale or transfer of assets between the investor and its associate or joint venture* – published on September 11th 2014, effective for annual periods beginning on or after January 1st 2016 (the effective date has been postponed, with no indication of the initial date). The amendments clarify the manner of accounting for a transaction in which a parent loses control over its subsidiary that does not constitute a business as defined in IFRS 3 Business Combinations through a sale or contribution of all or a part of shares in that subsidiary to an equity-accounted associate or joint venture. The European Commission has decided to postpone the formal procedure for approval of the revised standards;
- 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. The amendments provide guidance on the measurement of financial assets that are prepayable under contract terms but, formally failing the solely payments of principal and interest (SPPI) test, could not be measured at amortised cost or at fair value through other comprehensive income;
- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* – published on October 12th 2017, effective for annual periods beginning on or after January 1st 2019. The amendments provide guidance on the measurement of interests in associates and joint ventures to which the equity method is not applied;
- IFRIC 23 *Uncertainty over Income Tax Treatments* – effective for annual periods beginning on or after January 1st 2019.
- 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. IAS 19 previously failed to provide clear guidance on that;
- Amendments to various standards introduced as part of the Annual Improvements to IFRS Standards 2015–2017 Cycle As part of the annual IFRS improvement cycle, minor amendments to the following standards were published 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; 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 amended provisions of the standards will be applied by the Group in its financial statements as of January 1st 2018, unless a different effective date for the amended provisions is provided. When first adopted, the amended standards, except for those described in Notes 5.1–5.3, 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.

5.1. Applying IFRS 9

IFRS 9 *Financial Instruments* is effective for annual periods beginning after January 1st 2018. The Group plans to apply IFRS 9 as of its effective date, without restating comparative data. Differences in the carrying amount of financial assets and liabilities resulting from the application of IFRS 9 will be recognised under retained earnings as at January 1st 2018.

Classification of financial assets

IFRS 9 amends classification of financial assets, replacing the existing measurement categories:

- Financial assets at fair value through profit or loss (including financial instruments held for trading),
- Loans and receivables,
- Financial instruments held to maturity,
- Financial instruments available for sale

with 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.

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

Financial assets held by the Group:

– Shares in non-consolidated subsidiaries (PLN 4 thousand as at December 31st 2017), which have been presented as financial assets available for sale and as of January 1st 2018 will be presented as financial assets at fair value through other comprehensive income. Shares whose fair value cannot be determined reliably were previously measured at cost less impairment losses; in accordance with the new standard, such assets will be measured at fair value (in some cases, cost may be the best estimate of their fair value);

– Investment certificates and investment fund units (PLN 8,637 thousand as at December 31st 2017), which have been presented as financial assets available for sale and as of January 1st 2018 will be presented as financial assets at fair value through other comprehensive income;

– Debt securities (PLN 818 thousand as at December 31st 2017), which have been presented as financial assets available for sale and as of January 1st 2018 will be presented as financial assets at fair value through other comprehensive income;

– Shares listed on stock exchanges (PLN 3,009 thousand as at December 31st 2017) have been presented as financial assets available for sale and as of January 1st 2018 will be presented as financial assets at fair value through profit or loss;

– Loans (PLN 163 thousand as at December 31st 2017), which have been presented as financial assets and measured at amortised cost using the effective interest rate method and as of January 1st 2018 will be presented as financial assets at fair value through profit or loss.

An analysis performed to assess the impact of the standard on the value of financial assets found no indication of material differences in their value.

Expected credit losses

IFRS 9 introduces a change in the measurement of impairment of financial assets. In accordance with the new standard, an entity will be required to recognise and measure impairment based on expected losses rather than incurred losses. Accordingly, as of January 1st 2018, a loss allowance for expected credit losses will be recognised on initial recognition of receivables. As a consequence, entities will not wait until receivables are past due before recognising impairment.

A preliminary assessment of the impact of IFRS 9 on the measurement of loss allowances on trade receivables was carried out. As permitted by the standard, a simplified approach will be applied in the Group's financial statements to trade receivables that do not contain a significant financing component and to lease receivables, with the loss allowance measured at an amount equal to lifetime expected credit losses.

A portfolio analysis was conducted for trade receivables (other than receivables assessed separately); a simplified provision matrix was applied in the individual age categories based on lifetime expected credit losses. The analysis used indicators calculated on the basis of historical data, as it was determined that the latter adequately reflect the probability of a default occurring in the future.

No loss allowances were recognised on cash and security deposits at banks, receivables from stock-exchange transactions, deposits held at clearing houses and receivables under public charges, as they are considered safe and because an analysis of historical data identified no credit losses on these categories of receivables in the past.

The amount of the adjustment resulting from the estimation of expected losses, calculated based on data as at December 31st 2017, is immaterial.

5.2. Applying IFRS 15

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. 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 Group provides financial instruments intermediary services, services involving the offering of financial instruments, as well as fund management and general consultancy services. The impact of the new standard on revenue recognition was assessed by analysing the existing contracts. The Group used a practical expedient available under the standard, which provides that the standard may be applied retrospectively only to contracts that are not completed contracts at the date of initial application.

The Group plans to apply IFRS 15 in its financial statements retrospectively with the cumulative effect of initially applying the standard recognised on the date of initial application (January 1st 2018) as an adjustment to the opening balance of retained earnings. An analysis performed by the Group found no evidence that an adjustment had to be made to equity as at the date of the initial application of the standard.

5.3. Applying IFRS 16

IFRS 16 introduces a new definition of a lease based on the concept of control over assets. All lease transactions give rise to the lessee's obligation to recognise assets and liabilities from all lease agreements 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.

IFRS 16 will be 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 change referred to above is expected to have an impact on the Group's consolidated financial statements, but no full assessment of the impact of IFRS 16 on the Group's financial data was performed by the date of authorisation of these financial statements.

6. Standards adopted by the International Financial Reporting Standards Board but not yet endorsed by the European Union

- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* − EU endorsement process has been suspended.
- IFRS 14 *Regulatory Deferral Accounts* – EU endorsement process has been suspended. The standard permits an entity which is a first-time adopter of IFRS to continue to account for rate-regulated activities in

accordance with its previous accounting policies. To ensure better comparability with entities which already use IFRS and do not account for such activities, in accordance with the published IFRS 14, amounts from rate-regulated activities should be presented as a separate item in the statement of financial position, statement of profit or loss, and statement of other comprehensive income;

- IFRS 17 *Insurance Contracts* – published on May 18th 2017;
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* – published on December 8th 2016;
- IFRIC 23 *Uncertainty over Income Tax Treatments* – published on June 7th 2017;
- Amendments to IFRS 9: *Prepayment Features with Negative Compensation* – published on October 12th 2017;
- IFRS Annual Improvements Cycle 2015–2017 – published on December 12th 2017;
- Amendments to IAS 28 *Long-Term Interests in Associates and Joint Ventures* – published on October 12th 2017;
- Amendments to IAS 19 *Employee Benefits: Plan Amendment, Curtailment or Settlement* – published on February 7th 2018.

The Group believes that application of the amended standards will not have any material effect on its financial statements when first adopted.

7. Material judgements and estimates

7.1. 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 estimates and assumptions which affect the amounts of assets and liabilities disclosed in the subsequent period. The estimates 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 2017 and details regarding estimates and judgements are presented in Note 7.2.

7.2. Estimation uncertainty

As many items presented in the consolidated financial statements cannot be measured accurately, certain estimates need to be made by the Group 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 2017 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		**Type of disclosure**
9.7.1	Impairment losses on receivables	Main assumptions underlying the computation of recoverable amount
9.4 and 9.5	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
9.12.1	Accruals and deferred income	Assumptions underlying the liability amount estimates
15.2	Provisions for litigations, fines and damages	Assumptions underlying the liability amount estimates

8. Changes in estimates

In the period covered by these consolidated financial statements, 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 15.1.1, 13.2.1, 13.6 and 13.7.

9. Material accounting policies

9.1. Consolidation rules

These consolidated financial statements include the financial statements of IPOPEMA Securities S.A. and the financial statements of its subsidiaries prepared for the year ended December 31st 2017 and December 31st 2016 (in the case of the statement of comprehensive income, the statement of cash flows and statement of changes in equity) and as at December 31st 2017 and December 31st 2016 (in the case of the statement of financial position). The subsidiaries IPOPEMA Business Services Srl and IPOPEMA Financial Advisory Sp. z o.o. were not consolidated as their 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 discrepancies 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 were 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 values 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 within 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, but they are measured at cost less impairment losses.

9.2. Correction of errors

No corrections of errors have been made in these consolidated financial statements.

9.3. 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-exchange rate quoted for a given currency by the National Bank of Poland 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 applied for the purposes of balance-sheet valuation:

Currency	Dec 31 2017	Dec 31 2016
USD	3.4813	4.1793
EUR	4.1709	4.4240
100 HUF	1.3449	1.4224
GBP	4.7001	5.1445
UAH	0.1236	0.1542
CZK	0.1632	0.1637
CHF	3.5672	4.1173
RON	0.8953	0.9749
100 JPY	3.0913	3.5748
NOK	0.4239	0.4868
CAD	2.7765	3.0995
TRY	0.9235	1.1867
SEK	0.4243	0.4619
DKK	0.5602	0.5951
AUD	2.7199	3.0180

** Source: National Bank of Poland.*

9.4. 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 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 a given 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.

Depreciation/amortisation is charged using the straight-line method 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 further 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 in the period when the item was derecognised.

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

9.5. 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 carry any intangible assets with indefinite useful lives. Consequently, all intangible assets are amortised.

9.6. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

Financial assets

- financial assets at fair value through profit or loss (including financial instruments held for trading),
- loans and receivables,
- financial instruments held to maturity,
- financial instruments available for sale.

Financial liabilities

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

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

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

A financial asset is designated as held for trading if it is acquired principally for the purpose of selling it in the near term, if it is part of a portfolio for which there is a pattern of short-term profit-taking, or if it is a derivative with positive fair value.

The Group designates a financial asset/liability as measured at fair value through profit or loss if:

- it is classified as held for trading (i.e. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or it is a derivative (except for a derivative that is designated as an effective hedging instrument),
- it was designated as measured at fair value through profit or loss on initial recognition.

Financial liabilities other than held for trading may be designated by the Group upon initial recognition as financial liabilities measured at fair value through profit or loss if:

- the designation will eliminate or significantly reduce a measurement or recognition inconsistency; or
- a group of financial assets or liabilities or both is managed and its performance is measured on a fair value basis in accordance with a documented risk management or investment strategy applied by the Group, where under information regarding asset grouping is exchanged internally; or
- They constitute part of a contract with one or more embedded derivatives, and IAS 39 permits that the entire contract (an asset or a liability) be designated as at fair value through profit or loss.

Financial instruments and financial liabilities acquired in transactions on the regulated market are recognised as at the transaction date at cost, i.e. at the fair value of expenses incurred or other assets transferred in return, whereas financial liabilities are first recognised in the accounting books at the contract date at the fair value of the amount or other assets received.

Financial instruments held for trading are measured at fair value as at each reporting date, and any resultant gains or losses are disclosed under revenue or costs related to financial instruments held for trading.

Financial instruments held for trading comprise shares listed on the Warsaw and Budapest Stock Exchanges. 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 financial year. The Group does not apply hedge accounting.

Loans and receivables

Trade receivables, loans and other receivables with fixed or negotiable payment terms, not traded on an active market, are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest rate method, less impairment losses. Interest income is recognised at the effective interest rate, save for short-term receivables where recognition of interest income would be immaterial. Non-interest bearing short-term receivables are measured at amounts receivable, subject to the prudent valuation principle. In this category, the Group includes mainly trade receivables, bank deposits and other cash, as well as loans granted to employees and associates of IPOPEMA Securities and of a related company. Current receivables include mainly trade receivables, bank deposits and other cash, as well as loans and acquired unlisted debt instruments not classified into other categories. Loans advanced to the Group’s employees and associates are classified under loans advanced.

Loans and receivables also include cash held mainly in bank deposits, and trade receivables described in Note 9.7.

Financial instruments available for sale

Financial instruments available for sale are those non-derivative financial instruments which are designated as available for sale or are not classified into any of the other categories.

Financial assets available for sale include mainly investment certificates, investment fund units, and government bonds acquired in order to invest cash surplus, other than investment certificates which have been designated as financial assets at fair value through profit or loss since the Group intends to sell them in the near term. This category also includes shares in non-consolidated subsidiaries.

Financial instruments available for sale are classified as non-current assets if they are not intended for sale within a year from the end of the reporting period; otherwise, they are classified as current assets. As at the end of each reporting period, financial instruments available for sale are measured at fair value, and any resultant gains or losses (other than impairment losses) are recognised under other comprehensive income. In the case of bonds, the gain or loss to be recognised under other comprehensive income comprises the difference between the measurement-date fair value of the assets less interest accrued up until that date at the contractual interest rate, and the value of the assets at adjusted cost.

Acquisition and sale of financial instruments available for sale are recognised as at the transaction date. On initial recognition, they are measured at fair value, including the transaction costs.

Shares in non-consolidated subsidiaries are measured at cost less impairment losses. Investment certificates and investment fund units are recognised at fair value, based on the net value per certificate/unit as published by the investment fund in consultation with the depositary. Remeasurement gains and losses are posted under other comprehensive income.

Financial liabilities measured at amortised cost

Other financial liabilities, including borrowings, are initially measured at fair value less transaction costs and then at amortised cost (interest expense is measured using the effective cost 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 effectively discounts estimated future cash payments over the expected life of a given liability or, when appropriate, a shorter period.

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

9.7. Receivables

9.7.1. Short-term receivables

Shor-term receivables include all receivables from clients, non-consolidated related entities, banks conducting brokerage activities, other brokerage houses and commodity brokerage houses under executed transactions, as well as all or part of receivables related to other items, which are not classified as financial assets, in each case maturing within 12 months from the end of the reporting period.

Receivables are initially recognised at nominal value and measured as at the end of the reporting period at amounts receivable. Receivables are remeasured to account for the probability of their payment and impairment losses are recognised where necessary. The Group recognises impairment losses if there is objective evidence that it will not be able to recover all the amounts due in line with the original contractual terms.

Impairment losses are recognised in particular for:

receivables past due by 6 months to 1 year – impairment loss of 50% of the receivables amount is recognised,

receivables past due by more than 1 year - impairment loss of 100% of the receivables amount is recognised.

Apart from the above general rule, the Group may also recognise impairment losses on an individual basis, when it believes that there is considerable risk that the full amount of a receivable may not be recovered. Such impairment losses were recognised on trade receivables.

Impairment losses on receivables are recognised under other expenses. The cost connected with recognition of impairment losses at the time of confirming that particular receivables are uncollectible is a tax-deductible expense; otherwise, such cost is not tax-deductible. Impairment losses on receivables are reversed if the impairment decreases in subsequent periods and the increase in the value of the receivables may be attributed to events that occurred after the impairment loss was recognised. Reversed impairment losses are recognised under other income.

Shor-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

Current receivables from clients, current 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 arise in connection with securities purchases and sales which have not yet been settled at the clearing houses due to the transaction clearing procedure (T+2). In the case of buy trades 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 and brokerage houses (market counterparties)* and short-term receivables from the clients on behalf of whom such buy trades have been executed. In the case of sale transactions executed on stock exchanges to execute orders placed by clients whose accounts are kept by custodian banks, the Group discloses current receivables from banks conducting brokerage activities and other brokerage houses (parties to the market transactions)* and current liabilities towards the clients for whom the sale transactions were 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 the parties to the market transactions.*

9.7.2. Long-term receivables

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

9.8. Impairment losses

As at the end of each reporting period, the Group evaluates whether there is any indication that an 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 indication of possible impairment of an asset may be identified:

- 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 technological, market, economic or legal changes, unfavourable for the Group, 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 value in use of the asset and decrease its recoverable amount,
- the carrying amount of the Group's net assets is higher than their market capitalisation value,
- evidence exists for impairment of usefulness of an asset or physical damage to an asset,
- significant changes, unfavourable for the Group, in the current or expected scope or manner of use of an asset have occurred during the 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.

9.9. 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.

9.10. 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 National Court Register entry. Other components of equity include: statutory reserve funds, revaluation capital reserve and other capital reserves.

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

Other capital reserves include revaluation capital reserve and other capital reserves created in connection with the implementation of incentive schemes and dilution of shares.

Retained earnings comprise: statutory reserve funds created out of retained earnings, capital reserve, the aggregate capital adjustments resulting from the changes in accounting policies at the time of transition to IAS/IFRS, retained earnings or deficit (accumulated profits/losses brought forward), and net profit/(loss) for the current reporting period.

9.11. Liabilities

9.11.1. Current liabilities

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

Current liabilities include all liabilities to clients, 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 and exchange clearing houses, and liabilities to entities operating regulated securities markets, as well as all other liabilities not classified as non-current liabilities, accruals and deferred income or provisions for liabilities.

Current liabilities include overdrafts; methods of their recognition are described in Note 9.6 above.

The recognition of current liabilities under executed transactions is discussed in Note 9.7.1 above.

9.11.2. Non-current liabilities

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

9.12. Provisions, accruals and deferred income

9.12.1. 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.

9.12.2. 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).

9.13. 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).

9.14. Revenue from core activities

Revenue includes only inflows of economic benefits, on a gross basis, received or receivable by a business entity for its own account.

Revenue from core activities is recognised if it is probable that the economic benefits associated with a transaction will flow to Group companies and if the revenue and the related expenses can be reliably measured. Revenue comprises amounts received and receivable net of VAT. The amount of revenue is measured at fair value of the consideration received or receivable.

Where the date of commencement of a service and the date of its completion fall into different reporting periods, the related revenue and expenses are recognised by reference to the stage of completion of the service if the outcome of the transaction can be reliably measured, i.e. if the total amount of revenue under the service contract and the amount of costs associated with the service can be measured reliably and if it is probable that the economic benefits associated with the contract will flow to the Group. If the above conditions cannot be met, revenue is recognised only to the extent of costs incurred as at a given date that are recoverable. If it is probable that the total contract costs will exceed the total contract revenue, the expected loss on a contract is immediately recognised as expense.

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 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.

Revenue from long-term consultancy services provided by IFA SK and IBC is recorded in line with the progress of work under a consultancy mandate.

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

9.15. Gain (loss) on transactions in financial instruments

9.15.1. Gain/(loss) on transactions in financial instruments held for trading

Gain (loss) on transactions in financial instruments held for trading includes dividends and other distributions from profit, interest, valuation adjustments and gain on sale/redemption. Costs related to financial instruments held for trading include valuation adjustments and loss on sale/redemption.

9.15.2. Gain/(loss) on transactions in financial instruments available for sale

Gain (loss) on transactions in financial instruments available for sale includes dividends and other distributions from profit, interest, impairment losses, amortisation of discount on debt securities, and gain on sale/redemption. Costs related to financial instruments available for sale include impairment losses and loss on sale/redemption.

9.16. Finance income and costs

The Group's finance income includes interest on deposits, interest on loans advanced, other interest and foreign-exchange gains. Interest income is recognised in the consolidated statement of comprehensive income as it accrues.

The Group classifies as finance costs in particular: borrowing costs, interest on borrowings, other interest, and foreign-exchange and financial transaction 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. Capitalised borrowing costs are recognised in the periods to which they relate.

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

9.17. Income tax

9.17.1. 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.

9.17.2. 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 assets.

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.

10. 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 periods covered by these consolidated financial statements were the same.

	Dec 31 2017	Dec 31 2016
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	0.06	0.05
- diluted	0.06	0.05

11. 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.

12. Operating segments

For management purposes, the Group is divided into separate segments based on types of products and services. 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 (in previous periods, this activity was conducted by IPOPEMA Securities, therefore, in accordance with the regulatory classification of brokerage services, it was identified as additional brokerage activities; in spite of the fact that this activity has been transferred to IFA SK, a decision was made to keep the previously applied segmentation for the purposes of consolidated financial statements).
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 2017	Continuing operations				DISCONTINUED OPERATIONS	Total operations
	Brokerage and related services	Investment fund and portfolio management	Advisory services	Total		
Revenue						
Segment's total revenue, including:	47,277	30,357	21,216	98,850	-	98,850
- to clients for each of whom the value of transactions in the period exceeds 10% of revenue	-	-	-	-	-	-
Intersegment sales	- 1,633	-	- 62	- 1,695	-	- 1,695
Consolidation eliminations	-	-	-	-	-	-
Sales to external clients	**45,644**	**30,357**	**21,154**	**97,155**	**-**	**97,155**
Segment's costs						
Segment's costs – purchases from external suppliers	- 41,610	-29,644	- 19,312	- 90,566	**-**	- 90,566
Segment's costs	1,570	168	-	1,738	**-**	1,738
Consolidation eliminations	-	-	-	-	**-**	-
Segment's total costs, including:	**- 40,040**	**- 29,476**	**-19,312**	**- 88,828**	**-**	**- 88,828**
Depreciation and amortisation	- 2,144	- 515	- 82	- 2,741	-	- 2,741
Segment's profit/(loss) on core activities	**5,604**	**881**	**1,842**	**8,327**	**-**	**8,327**
Unallocated costs	-	-	-	-	-	-
Profit/(loss) from continuing operations before tax and finance costs	5,604	881	1,842	8,327	-	8,327
Interest income	200	186	191	577	-	577
Interest expense	- 1,234	- 28	- 145	- 1,407	-	- 1,407
Other net finance income/expenses	- 1,700	611	- 156	- 1,245	-	- 1,245
Other income/expenses	- 1,335	- 194	- 117	- 1,646	-	- 1,646
Consolidation eliminations	- 943	-	-	- 943	-	- 943
Profit/(loss) before tax and non-controlling interests	**592**	**1,456**	**1,615**	**3,663**	**-**	**3,663**
Income tax	450	364	391	1,205	-	1,205
Consolidation eliminations	-	-	-	-	-	-
Total corporate income tax	450	364	391	1,205	-	1,205
Net profit/(loss) for the financial year	**142**	**1,092**	**1,224**	**2,458**	**-**	**2,458**
Assets and liabilities as at Dec 31 2017						
Segment's assets	313,272	29,188	19,053	361,513	-	361,513

Segment's investments in equity-accounted subordinated entities	-	-	-	-	-	-
Other assets not attributed to segments	-	-	-	-	-	-
Total assets	**313,272**	**29,188**	**19,053**	**361,513**	**-**	**361,513**
Segment's liabilities	256,910	2,904	10,015	269,829	-	269,829
Accruals and deferred income	3,547	3,197	735	7,479	-	7,479
Segment's net profit/(loss)	142	1,092	1,224	2,458	-	2,458
Equity (net of profit/loss for current period)	51,868	22,737	3,630	78,235	-	78,235
Non-controlling interests	2	-	3,510	3,512	-	3,512
Total equity and liabilities	**312,469**	**29,930**	**19,114**	**361,513**	**-**	**361,513**
Other segment data for 2017						
Capital expenditure, including:	860	415	59	1,334	-	1,334
Property, plant and equipment	87	415	52	554	-	554
Intangible assets	773	-	7	780	-	780
Depreciation of property, plant and equipment	1,454	384	74	1,912	-	1,912
Amortisation of intangible assets	690	131	8	829	-	829
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 2017 did not exceed 5% (PLN 3,149 thousand) of total revenue from core operations. The Group's property, plant, equipment and intangible assets are located in Poland.

Jan 1–Dec 31 2016	Continuing operations				DISCONTINUED OPERATIONS	Total operations
	Brokerage and related services	Investment fund and portfolio management	Advisory services	Total		
Revenue						
Segment's total revenue, including:	37,458	32,762	17,918	88,138	-	88,138
- to clients for each of whom the value of transactions in the period exceeds 10% of revenue	-	-	-	-	-	-
Intersegment sales	- 1	-	- 99	- 100	-	- 100
Consolidation eliminations	-	-	-	-	-	-
Sales to external clients	**37,457**	**32,762**	**17,819**	**88,038**	**-**	**88,038**
Segment's costs						
Segment's costs – purchases from external suppliers	- 37,239	-31,889	- 15,714	- 84,842	**-**	- 84,842
Segment's costs	72	70	-	142	**-**	142
Consolidation eliminations	-	-	-	-	-	-
Segment's total costs, including:	**- 37,167**	**- 31,819**	**-15,714**	**- 84,700**	**-**	**- 84,700**
Depreciation and amortisation	- 1,897	-702	-100	- 2,699	-	- 2,699
Segment's profit/(loss) on core activities	**290**	**943**	**2,105**	**3,338**	**-**	**3,338**
Unallocated costs	-	-	-	-	-	-
Profit/(loss) from continuing operations before tax and finance costs	290	943	2,105	3,338	-	3,338
Interest income	292	95	18	405	-	405
Interest expense	- 1,355	- 33	-	- 1,388	-	- 1,388
Other net finance income/expenses	1,898	154	71	2,123	-	2,123
Other income/expenses	- 28	202	- 44	130	-	130
Consolidation eliminations	- 1,512	-	-	- 1,512	-	- 1,512
Profit/(loss) before tax and non-controlling interests	**- 415**	**1,361**	**2,150**	**3,096**	**-**	**3,096**
Income tax	- 19	307	440	728	-	728
Consolidation eliminations	-	3	-	3	-	3
Total corporate income tax	- 19	310	440	731	-	731
Net profit/(loss) for the financial year	**- 396**	**1,051**	**1,710**	**2,365**	**-**	**2,365**

Net profit for the year (excluding costs of incentive scheme)						
Assets and liabilities as at Dec 31 2016	295,763	30,818	13,768	340,349	-	340,349
Segment's assets	-	-	-	-	-	-
Other assets not attributed to segments	-	-	-	-	-	-
Total assets	**295,763**	**30,818**	**13,768**	**340,349**	**-**	**340,349**
Segment's liabilities	239,300	3,510	4,231	247,041	-	247,041
Accruals and deferred income	3,875	5,066	732	9,673	-	9,673
Segment's net profit/(loss)	- 396	1,051	1,710	2,365	-	2,365
Equity (net of profit/loss for current period)	53,175	21,764	2,823	77,762	-	77,762
Non-controlling interests	-	-	3,508	3,508	-	3,508
Total equity and liabilities	**295,954**	**31,391**	**13,004**	**340,349**	**-**	**340,349**

Other segment-related data for 2016						
Capital expenditure, including:	1,413	39	56	1,508	-	1,508
Property, plant and equipment	704	39	49	792	-	792
Intangible assets	709	-	7	716	-	716
Depreciation of property, plant and equipment	1,167	443	84	1,694	-	1,694
Amortisation of intangible assets	730	259	16	1,005	-	1,005
Impairment losses	-	-	-	-	-	-
Other	-	-	-	-	-	-

No geographical segments are reported by the Group, as a vast majority of its revenue is generatedin Poland. Foreign revenue earned in 2016 did not exceed 5% of total revenue (PLN 3,627 thousand). The Group's property, plant, equipment and intangible assets are located in Poland.

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

13.1. Cash and cash equivalents

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

	Dec 31 2017	Dec 31 2016
Cash in hand	2	2
Cash at banks	24,555	26,559
Other cash (short-term deposits)	42,866	15,645
Cash equivalents	59	508
Total cash	**67,482**	**42,714**
Including cash in hand and cash at banks attributed to discontinued operations		-

	Dec 31 2017	Dec 31 2016
Cash in PLN	57,640	36,141
Cash in EUR	7,209	4,851
Cash in USD	854	1,062
Cash in HUF	1,558	32
Cash in TRY	6	264
Cash in RON	35	276
Cash in other currencies	180	88
Total cash	**67,482**	**42,714**

	Dec 31 2017	Dec 31 2016
Cash and other assets	27,704	30,303
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	39,778	12,411
Cash and other assets transferred from the settlement guarantee fund	-	-
Total cash	**67,482**	**42,714**

Free cash is deposited in bank accounts and invested in term and overnight deposits. Short-term deposits are placed for various 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 39,778 thousand as at December 31st 2017 and PLN 12,411 thousand as at December 31st 2016, is also disclosed as other cash.

13.2. Receivables

Short-term receivables		Dec 31 2017	Dec 31 2016
1.	From clients / trade receivables	102,824	135,569
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	85,796	122,199
	- transactions on the Warsaw Stock Exchange	63,584	89,043
	- transactions on the Budapest Stock Exchange	12,898	21,049
	- transactions on the Prague Stock Exchange	6,547	2,674
	- transactions on the Istanbul Stock Exchange	1,097	-
	- executed on the Frankfurt Stock Exchange	375	2,252
	- transactions on the London Stock Exchange	-	116
	- transactions on the New York Stock Exchange	1,295	7,065
d)	other	17,028	13,370
2.	From related entities	7	13

3.	From banks conducting brokerage activities, other brokerage houses and commodity brokerage houses*	118,139	95,270
a)	under transactions	82,254	72,031
	- transactions on the Warsaw Stock Exchange*	73,764	40,067
	- transactions on the Budapest Stock Exchange	1,604	6,163
	- transactions on the New York Stock Exchange	1,449	16,410
	- transactions on the Prague Stock Exchange	879	3,121
	- transactions on the London Stock Exchange	4,132	-
	- executed on the Frankfurt Stock Exchange	426	-
	- executed on the Amsterdam Stock Exchange	-	6,270
b)	other	35,885	23,239
4.	From the Central Securities Depository of Poland and exchange clearing houses	43,508	34,907
	- from the clearing guarantee fund	43,508	34,907
5.	From investment and pension fund companies and from investment and pension funds	3,312	2,761
6.	Taxes, subsidies and social security receivable	110	40
7.	Under court proceedings, not covered by recognised impairment losses on receivables	-	-
8.	Other	1,262	347
Total short-term receivables		**269,162**	**268,907**

** In accordance with Art. 45h of the amended Act on Trading in Financial Instruments, the following balance sheet items: current receivables from 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 KDPW CCP (the agent clearing the transactions which has assumed the rights and obligations of the parties to the transactions).*
*** In 2016, receivables from banks conducting brokerage activities included PLN 22,038 thousand of receivables from banks under security deposits, initially presented under other receivables.*

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

Impairment losses reduce the carrying amount of the impaired receivables.

Gross current receivables by currency	Dec 31 2017	Dec 31 2016
a) in PLN	203,729	182,457
b) in other currencies (translated into PLN)	67,677	87,330
Total gross current receivables	**271,406**	**269,787**

13.2.1. Age of receivables

Current and non-current receivables by maturity as from the end of the reporting period	Dec 31 2017	Dec 31 2016
a) up to 1 month	246,978	253,125
b) over 1 month to 3 months	5,511	9,842
c) over 3 months to 1 year	11,702	4,090
d) over 1 year to 5 years	2,943	1,384
e) over 5 years	-	-
f) past due	7,215	2,730
Total gross receivables	**274,349**	**271,171**
g) impairment losses on receivables (negative value)	- 2,244	- 880
Total net receivables	**272,105**	**270,291**

Gross past due receivables by period of delay:	Dec 31 2017	Dec 31 2016
a) up to 1 month	2,276	760
b) over 1 month to 3 months	1,060	692
c) over 3 months to 1 year	2,994	325
d) over 1 year to 5 years	885	953
e) over 5 years	-	-
Total gross receivables	**7,215**	**2,730**
f) impairment losses on receivables (negative value)	- 2,244	- 880
Total net receivables	**4,971**	**1,850**

13.3. Current prepayments and accrued income

	Dec 31 2017	Dec 31 2016
a) prepayments, including:	1,474	1,092
- cost of ICT and information services	613	336
cost of office space lease	266	124
membership fees	100	25
expenses to be re-invoiced	4	3
other	491	604
Total prepayments and accrued income	**1,474**	**1,092**

13.4. Financial instruments held for trading

	Dec 31.2017	Dec 31.2016
- equities	3,009	126
- derivative instruments	-	-
Total financial instruments held for trading	**3,009**	**126**

“Equities” comprise shares listed on the Warsaw Stock Exchange and the Budapest Stock Exchange. Financial instruments held for trading 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. Changes in the value of financial instruments held for trading are recognised under income from or cost related to financial instruments held for trading, as appropriate. As at the reporting date, the Company held 341,554 shares with a total carrying amount of PLN 3,009 thousand. All the shares are traded on the Warsaw Stock Exchange or the Budapest Stock Exchange. As at December 31st 2016, the Company held 1,000 shares with a total carrying amount of PLN 126 thousand.

13.5. Financial instruments available for sale

As at December 31st 2017, the value of financial instruments available for sale held by the Group amounted to PLN 9,459 thousand, compared with PLN 16,432 thousand as at December 31st 2016. As at December 31st 2017, the financial instruments available for sale included investment certificates and investment fund units of PLN 8,637 thousand (December 31st 2016: PLN 8,562 thousand), government bonds of PLN 808 thousand (December 31st 2016: PLN 7,866 thousand), and shares in non-consolidated subsidiaries of PLN 4 thousand (December 31st 2016: PLN 4 thousand).

Shares in non-consolidated subsidiaries are not traded on an active market. They are measured at cost less impairment losses. In 2016 and 2017, no impairment losses were recognised on financial instruments available for sale.

13.6. Property, plant and equipment

As at December 31st 2017

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**	**8,722**	**1,410**	**1,833**	**10**	**12,855**
b) Increase, including:	**-**	**-**	**213**	**189**	**4**	**502**	**908**
- purchases and lease	-	-	48	-	4	502	554
- transfer from investments	-	-	165	189	-	-	354
c) decrease	**-**	**-**	**1,026**	**672**	**73**	**332**	**2,103**
- liquidation	-	-	1,026	672	73	-	1,771
- reclassification to another category	-	-	-	-	-	332	332
d) gross value of property, plant and equipment at end of period	**-**	**880**	**7,909**	**927**	**1,764**	**180**	**11,660**
e) accumulated depreciation at beginning of period	**-**	**412**	**5,539**	**834**	**1,289**	**-**	**8,074**
f) Depreciation for period, including:	**-**	**69**	**451**	**- 343**	**79**	**-**	**256**
- annual depreciation charge		69	1,469	234	143	-	1,915
- liquidation	-	-	1,018	577	64	-	1,659
g) accumulated amortisation at end of period	**-**	**481**	**5,990**	**491**	**1,368**	**-**	**8,330**
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	**-**	**468**	**3,183**	**576**	**544**	**10**	**4,781**
k) Net value of property, plant and equipment at end of period		**399**	**1,919**	**436**	**396**	**180**	**3,330**

As at December 31st 2016

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**	**7,911**	**1,428**	**1,828**	**44**	**12,091**
b) Increase, including:	**-**	**-**	**819**	**172**	**5**	**742**	**1,738**
- purchases and lease	-	**-**	48	172	-	742	962
- transfer from investments	-	**-**	771	-	5	-	776
c) decrease	**-**	**-**	**8**	**190**	**-**	**776**	**974**
- liquidation	-	-	8	190	-	-	198
- reclassification to another category	-	-	-	-	-	776	776
d) gross value of property, plant and equipment at end of period	**-**	**880**	**8,722**	**1,410**	**1,833**	**10**	**12,855**
e) accumulated depreciation at beginning of period	**-**	**344**	**4,357**	**725**	**1,112**	**-**	**6,538**
f) Depreciation for period, including:	**-**	**68**	**1,182**	**109**	**177**	**-**	**1,536**
- annual depreciation charge	-	68	1,185	264	177	-	1,694
- liquidation	-	-	3	155	-	-	158

g) accumulated amortisation at end of period	**-**	**412**	**5,539**	**834**	**1,289**	**-**	**8,074**
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	**-**	**536**	**3,554**	**703**	**716**	**44**	**5,553**
k) Net value of property, plant and equipment at end of period	**-**	**468**	**3,183**	**576**	**544**	**10**	**4,781**

13.6.1. Impairment losses

In 2017, no impairment losses were recognised with respect to property, plant and equipment.

13.7. Intangible assets

As at December 31st 2017

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**	**-**	**173**	**9,662**	**-**	**-**	**10,275**
b) Increase, including:	**-**	**-**	**6**	**772**	**-**	**-**	**778**
- purchase / transfer from	-	-	6	772	-	-	778
- expansion of the Group	-	-	-	-	-	-	-
- completed development work	-	-	-	-	-	-	-
- other (lease returns)	-	-	-	-	-	-	-
c) decrease (including)	**-**	**-**	**-**	**455**	**-**	**-**	**455**
- liquidation	-	-	-	455	-	-	455
d) Gross value of intangible assets at end of period	**440**	**-**	**179**	**9,979**	**-**	**-**	**10,598**
e) Accumulated amortisation at beginning of period	**293**	**-**	**131**	**6,992**	**-**	**-**	**7,416**
f) amortisation for period:	**74**	**-**	**8**	**747**	**-**	**-**	**829**
- annual amortisation charge	74	-	8	747	-	-	829
- liquidation	-	-	-	-	-	-	-
g) accumulated amortisation at end of period	**367**	**-**	**139**	**7,739**	**-**	**-**	**8,245**
h) impairment losses at beginning of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
i) impairment losses at end of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
j) Net value of intangible assets at beginning of period	**147**	**-**	**42**	**2,670**	**-**	**-**	**2,859**
k) Net value of intangible assets at end of period	**73**	**-**	**40**	**2,240**	**-**	**-**	**2,353**

As at December 31st 2016

MOVEMENTS IN INTANGIBLE ASSETS (BY CATEGORY)	Cost of completed development work	Good will	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**	**-**	**166**	**9,337**	**-**	**-**	**9,943**
b) Increase, including:	**-**	**-**	**7**	**709**	**-**	**-**	**716**
- purchase / transfer from	-	-	7	709	-	-	716
- expansion of the Group	-	-	-	-	-	-	-
- completed development work	-	-	-	-	-	-	-
- other (lease returns)	-	-	-	-	-	-	-
c) decrease (including)	**-**	**-**	**-**	**384**	**-**	**-**	**384**
- liquidation	-	-	-	384	-	-	384
d) Gross value of intangible assets at end of period	**440**	**-**	**173**	**9,662**	**-**	**-**	**10,275**
e) Accumulated amortisation at beginning of period	**216**	**-**	**116**	**6,455**	**-**	**-**	**6,787**
f) amortisation for period:	**77**	**-**	**15**	**537**	**-**	**-**	**629**
- annual amortisation charge	77	-	15	913	-	-	1,005
- liquidation	-	-	-	376	-	-	376
g) accumulated amortisation at end of period	**293**	**-**	**131**	**6,992**	**-**	**-**	**7,416**
h) impairment losses at beginning of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
i) impairment losses at end of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
j) Net value of intangible assets at beginning of period	**224**	**-**	**50**	**2,882**	**-**	**-**	**3,156**
k) Net value of intangible assets at end of period	**147**	**-**	**42**	**2,670**	**-**	**-**	**2,859**

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.

13.7.1. Purchases and sales

In 2017, the Group purchased intangible assets of PLN 780 thousand (2016: PLN 716 thousand). The Group did not sell any intangible assets in 2017 or 2016.

The Group recognised development work of PLN 73 thousand as at December 31st 2017 and of PLN 147 thousand as at December 31st 2016 as intangible assets.

13.7.2. Impairment losses

The Group did not identify any impairment of its assets in 2017 or 2016.

13.7.3. Amortisation of intangible assets

Amortisation of intangible assets is recognised in cost of core activities under 'Amortisation'. Amortisation was PLN 780 thousand in 2017 (2016: PLN 1,005 thousand).

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

14.1. Share capital

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

As at December 31st 2017 and December 31st 2016, the parent's registered share capital was PLN 2,993,783.60 and comprised 29,937,836 shares.

Share capital structure as at December 31st 2017

Shareholder	Number of shares and voting rights at GM	Value of shares subscribed for (PLN)
IPOPEMA PRE-IPO FIZAN [1]	2,990,789	299,079
JLC Lewandowski S.K.A. [2]	2,990,789	299,079
OFE PZU Złota Jesień*	2,950,000	295,000
IPOPEMA 10 FIZAN [3]	2,851,420	285,142
Value FIZ*	2,750,933	275,093
Katarzyna Lewandowska	2,136,749	213,675
Quercus Parasolowy SFIO*	1,754,164	175,416
Total shareholders holding over 5% of the share capital	**18,424,844**	**1,842,484**

** 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 2016

Shareholder	Number of shares and voting rights	Value of shares subscribed for (PLN)
IPOPEMA PRE-IPO FIZAN [1]	2,990,789	299,079
JLC Lewandowski S.K.A. [2]	2,990,789	299,079
OFE PZU Złota Jesień*	2,950,000	295,000
IPOPEMA 10 FIZAN [3]	2,851,420	285,142
Katarzyna Lewandowska	2,136,749	213,675
Quercus Parasolowy SFIO*	1,754,164	175,416
Total shareholders holding over 5% of the share capital	**15,673,911**	**1,567,391**

** 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.

In 2017 and 2016, there were no changes in the parent's share capital. As at December 31st 2017 and December 31st 2016, 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 par value

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.

14.2. 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 2017 and December 31st 2016.

Revaluation capital reserve from revaluation of financial assets available for sale

Revaluation capital reserve is created from fair value measurement of financial assets available for sale. 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 profit or loss.

	As at	
	Dec 31 2017	**Dec 31 2016**
Revaluation capital reserve from revaluation of financial assets available for sale at beginning of period	265	110
Amount recognised in equity in the reporting period	- 113	192
Amount reclassified to profit or loss in the reporting period	-	-
Deferred income tax	21	- 37
Accumulated profit/(loss) on financial assets available for sale at end of reporting period	**173**	**265**

Other capital reserves

Other capital reserves have been created in connection with the Incentive Scheme and a change in the value of shares held in a subsidiary. As at December 31st 2017 and December 31st 2016, 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 2017 and December 31st 2016, this component of equity totalled PLN 998 thousand.

Retained earnings	**Dec 31 2017**	**Dec 31 2016**
Retained earnings/deficit	36,689	36,124
Net profit/loss for period	1,651	1,463
Aggregate capital adjustments resulting from transition to IAS/IFRS	24,814	24,814
Total retained earnings	**63,154**	**62,401**

Dividend

Dividend for a given year which has been approved by the General Meeting and not paid as at the end of the reporting period is disclosed as liabilities under dividend under 'Other liabilities'. As at the end of the reporting period there were no unpaid dividends.

14.3. Non-controlling interests

As at December 31st 2017, non-controlling interests (held by the shareholders of IPOPEMA Business Consulting and IFA SK) amounted to PLN 4,319 thousand (December 31st 2016: PLN 4,410 thousand).

14.4. Capital adequacy requirements

The parent IPOPEMA Securities is the institution referred to in Art. 95 of Regulation No. 575/2013 of the European Parliament and of the EU Council of June 26th 2013 on prudential requirements for investment institutions and firms, amending Regulation (EU) No. 648/2012 (OJ L of June 27th 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.

Failure to meet capital adequacy requirements

In the period covered by these consolidated financial statements, 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 2017	Dec 31 2016	Average quarterly data			
			Q1 2017	Q2 2017	Q3 2017	Q4 2017
Own funds – (PLN '000)	**74,057**	**74,275**	**74,286**	**75,357**	**75,718**	**74,080**
Tier 1 Capital	74,057	74,275	74,286	75,357	75,718	74,080
Common Equity Tier 1	74,057	74,275	74,286	75,357	75,718	74,080
Additional Tier 1 Capital	-	-	-	-	-	-
Tier 2 Capital	-	-	-	-	-	-
Total risk exposure (PLN '000)	**317,816**	**310,280**	**314,692**	**347,013**	**366,317**	**316,021**
Risk-weighted exposure amounts for credit risk, counterparty credit risk, dilution risk and free deliveries	119,288	114,511	120,297	140,878	151,816	117,475
Total exposure to settlement/delivery risk	-	-	-	-	-	-
Total exposure to position risk, currency risk and commodity price risk	34,239	25,141	30,106	41,847	50,213	34,257
Total exposure to operational risk	164,289	170,628	164,289	164,289	164,289	164,289
Additional exposure to risk related to fixed indirect costs	-	-	-	-	-	-
Total exposure to risk related to credit valuation adjustment	-	-	-	-	-	-
Total exposure to risk related to large exposures in the trading book	-	-	-	-	-	-
Other exposures to risk	-	-	-	-	-	-
Tier 1 common equity ratio	23.30	23.94	23.61	21.72	20.67	23.44
Tier 1 capital surplus(+)/shortfall(–) (PLN '000)	59,755	60,312	60,125	59,741	59,233	59,859
Tier 1 capital ratio	23.30	23.94	23.61	21.72	20.67	23.44
Tier 1 capital surplus(+)/shortfall(-) (PLN '000)	54,988	55,658	55,405	54,536	53,739	55,119
Total capital adequacy ratio	23.30	23.94	23.61	21.72	20.67	23.44
Total capital surplus(+)/shortfall(-) (PLN '000)	48,632	49,452	49,111	47,596	46,412	48,799

Item	Dec 31 2017
Initial capital (PLN '000)	3,045
Deviation of own funds from initial capital	71,012

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

15.1. Accruals and deferred income

15.1.1. Changes in accruals and deferred income

	2017	2016
As at beginning of reporting period	**9,673**	**9,714**
Recognised during the financial year	14,078	14,156
Used	16,269	13,858
Reversed	3	339
As at end of reporting period	**7,479**	**9,673**

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

	Dec 31 2017	Dec 31 2016
Employee benefits*	5,309	7,020
Other	2,170	2,653
Total	**7,479**	**9,673**

** 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.

15.2. Provisions for litigations, fines and damages

For information on court proceedings, see Note 30.1.

15.3. Liabilities (current)

Current liabilities	Dec 31 2017	Dec 31 2016
To clients	142,118	93,748
To related entities	-	-
To banks conducting brokerage activities, other brokerage houses and commodity brokerage houses	91,401	130,250
a) under executed transactions*	91,053	130,250
b) other	348	-
To entities operating regulated securities markets and commodity exchanges	505	602
To the Central Securities Depository of Poland and exchange clearing houses	129	2,044
Borrowings	27,351	14,784
a) from related entities	-	-
b) other	27,351	14,784
Debt securities	5	4
Liabilities under promissory notes	-	-
Taxes, customs duties and social security payable	1,512	1,406
Salaries and wages	-	1
To investment and pension fund companies and to investment and pension funds	893	1,704
Under framework securities lending and short sale agreements	-	-
Other	2,199	1,525
a) dividends payable	-	-
b) other	2,199	1,525
- other liabilities	1,041	1,283
- financial liabilities at amortised cost.	1,158	242
Total current liabilities	**266,113**	**246,068**

** 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 25.1.

Liabilities do not bear interest, except for borrowings (see Note 15.3.2) and leases (see Note 27).

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 2017	Dec 31 2016
Liabilities under executed stock-exchange transactions:	91,053	130,250
- transactions on the Warsaw Stock Exchange	68,858	97,968
- transactions on the Budapest Stock Exchange	12,889	20,191
- transactions on the Prague Stock Exchange	6,543	2,670
- transactions on the Istanbul Stock Exchange	1,096	-
- transactions on the Frankfurt Stock Exchange	374	2,250
- transactions on the London Stock Exchange	-	116
- transactions on the New York Stock Exchange	1,293	7,055
Liabilities under transactions executed on over-the-counter market	348	-
Liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses	**91,401**	**130,250**
Gross current liabilities (by currency)	**Dec 31 2017**	**Dec 31 2016**
a) in PLN	211,341	169,479
b) in other currencies (translated into PLN)	54,772	76,589
Total current liabilities	**266,113**	**246,068**

15.3.1. Age of payables

Maturity of current and non-current liabilities as from the end of the reporting period	Dec 31 2017	Dec 31 2016
a) up to 1 month	264,872	244,862
b) over 1 month to 3 months	162	263
c) over 3 months to 1 year	100	426
d) over 1 year to 5 years	3,185	487
e) over 5 years	-	-
f) past due	979	517
Total liabilities	**269,298**	**246,555**

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

15.3.2. Interest-bearing borrowings

Maturity of current and non-current liabilities as from the end of the reporting period	Dec 31 2017	Dec 31 2016
a) credit facility	27,351	14,784
- outstanding amount	27,351	14,784
Current liabilities	**27,351**	**14,784**

As at December 31st 2017, the Company's liabilities under borrowings related to its brokerage business amounted to PLN 27,351 thousand (December 31st 2016: PLN 14,784 thousand). The liabilities arose under:

1. 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 in connection with the brokerage activities. Their current term expires on September 14th 2018:
   i. Revolving credit facility of up to PLN 10m. The purpose of the facility is to finance payment of the Company's liabilities to the Central Securities Depository of Poland in respect of the settlement of transactions concluded by the Company on the regulated market as part of its brokerage business. The facility is secured with a blank promissory note with a promissory note declaration, a power of attorney over accounts held 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 30m. The purpose of the facility is to finance the payment of the Company's liabilities resulting from its membership in the Stock-Exchange Transactions Settlement Guarantee Fund operated by the Central Securities Depository of Poland. The facility is secured with a blank promissory note with a promissory note declaration and a power of attorney over accounts held with the bank. As stated in item i above, both credit facilities are also jointly secured with a security deposit of PLN 4m.
2. HUF 409m current account overdraft facility from Raiffeisen Bank Zrt, used to settle transactions on the Budapest Stock Exchange in connection with brokerage activities; its term expires on March 14th 2019. The facility is secured with a security deposit of HUF 409m.

Interest on borrowings pertains only to short-term facilities. Interest due on borrowings for December 2017, totalling PLN 52 thousand, was not realised in 2017 and was paid in 2018. As at December 31st 2016, unrealised interest on borrowings amounted to PLN 77 thousand and was paid in 2017.

15.4. Bonds

In 2017, the Group issued 36 registered bonds with a total nominal value of PLN 7 thousand (2016: PLN 2 thousand), with various series maturing in 2017−2019. 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 2017, the Company redeemed PLN 7 thousand worth of bonds (2016: PLN 6.4 thousand).

16. Notes to the consolidated statement of comprehensive income

16.1. Revenue from core activities

Revenue from core activities	2017	2016
Revenue from trading in securities	24,970	22,665
Revenue from investment banking services	18,972	14,460
Revenue from management of investment funds and clients' assets	30,357	32,762
Revenue from consultancy services	21,154	17,819
Other revenue from core activities	1,702	332
Total revenue from core activities	**97,155**	**88,038**

16.2. Operating expenses

Cost of core activities	2017	2016*
Fees payable to regulated markets, commodity exchanges, the Central Securities Depository of Poland and exchange clearing houses	7,353	6,313
Payments to CCP	610	479
Fees payable to trade organisation	42	-
Salaries and wages	38,656	39,765
Social security	2,875	2,754
Employee benefits	667	600
Raw material and consumables used	480	645
Costs of maintenance and lease of buildings	3,476	3,384
Depreciation and amortisation	2,741	2,699
Taxes and other public charges	873	1,257
Other costs, including:	31,055	26,804
- fund management and distribution costs	10,248	9,935
- transaction costs other than cost of clearance through clearing houses or stock exchanges	6,975	3,080
- ICT and information services	4,068	4,200
- marketing, representation and advertising	940	964
- software purchases (for recharge)	2,199	2,591
- other services	6 625	6,034
Total cost of core activities	**88,828**	**84,700**

** Due to a change in the presentation of non-deductible VAT costs (in the 2016 financial statements these costs were presented under taxes and other public charges), the comparative data for 2016 was restated and presented by including VAT costs in the costs of purchased service.*

Employee benefits expense

Employee benefits expense (itemised)	2017	2016
Salaries and wages	38,656	39,765
Social security and other benefits	2,875	2,754
Costs of future benefits related to retirement severance payments, length-of-service awards and other similar employee benefits	-	-
Other employee benefits expense	667	600
Total employee benefits expense	**42,198**	**43,119**

16.3. Finance income and costs

Finance income	2017	2016
1. Interest on loans advanced	8	18
2. Interest on deposits	386	387
a) from related entities	-	-
b) other	386	387
3. Other interest	184	-
4. Foreign exchange gains	24	656
a) realised	-	467
b) unrealised	24	189
5. Other	416	403
Total finance income	**1,018**	**1,464**

Finance costs	2017	2016
1. Interest on borrowings, including:	1,133	1,236
a) to related entities	-	-
b) other	1,133	1,236
2. Other interest	275	152
3. Foreign exchange losses	1,239	50
a) realised	286	-
b) unrealised	953	50
4. Other	554	599
Total finance costs	**3,201**	**2,037**

In 2017 and 2016, the capitalisation rate was 0%. The Group did not capitalise borrowing costs.

16.4. Gain (loss) on financial instruments held for trading

In 2017, the Group reported a PLN 1,583 thousand loss on financial instruments held for trading (2016: a gain of PLN 10 thousand). The result includes dividend income of PLN 19 thousand in 2017 (2016: PLN 52 thousand).

16.5. Operating income and expenses

Other income	2017	2016
a) gain on disposal of property, plant and equipment and intangible assets	8	-
b) reversed accruals and deferred income	3	331
c) reversed impairment losses on receivables	244	53
d) income from re-invoicing	183	328
e) other	1,188	423
Total other income	**1,626**	**1,135**

Other expenses	2017	2016
a) loss on disposal of property, plant and equipment and intangible assets	-	2
b) impairment losses on property, plant and equipment and intangible assets	-	-
c) recognition of accruals and deferred income	-	-
c) impairment losses on receivables	1,843	364
d) other, including:	1,471	682
- membership fees	40	40
- costs of discontinued investment	465	-
- re-charged costs	177	350
- other	789	292
Total other expenses	**3,314**	**1,048**

17. Employee benefits

17.1. Employee share option plans

On December 5th 2007, the Extraordinary General Meeting passed a resolution (amended by a resolution of March 20th 2009) concerning implementation of an incentive scheme for the key employees of the Company and its subsidiary IPOPEMA TFI, as well as other persons of key importance to the execution of the IPOPEMA Securities Group's strategy. The scheme was based on Series C shares, which could be issued within the limit of conditional share capital, in a maximum number of 4,857,140 shares, on or before November 30th 2017.

No shares were subscribed for in 2017. During the term of the scheme, a total of 1,880,952 series C shares were subscribed for. Following the lapse of the subscription deadline for Series C shares, defined in the Company's Articles of Association, the scheme expired on November 30th 2017.

No eligible persons subscribed for any shares under the incentive scheme in 2017 or in the comparative period. The Company did not incur any costs on account of the incentive schemes in 2017 or 2016.

18. Dividends paid and proposed

On May 9th 2017, the Annual General Meeting of IBC resolved to pay dividend for 2016, in a total amount of PLN 1.8m (PLN 899.55 per share). The dividend was paid by the date of issue of these financial statements.

On June 27th 2017, the Annual General Meeting of the Company resolved to allocate the entire profit for 2016, of PLN 1,046 thousand, to dividend. The dividend per share was PLN 0.03. The dividend record date was set for July 7th 2017, and the dividend payment date – for July 18th 2017. On the dividend payment date, a total of PLN 898 thousand was paid out to the shareholders. The difference between the distributed amount and the amount approved by the General Meeting results 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.

On June 29th 2016, the General Meeting of the Company resolved to distribute dividend of PLN 3.5m. The 2015 profit of PLN 3,493 thousand was allocated to dividend payment. The dividend per share was PLN 0.11. The dividend record date was set for July 8th 2016, and the dividend payment date – for July 27th 2016. On the dividend payment date, a total of PLN 3,293 thousand was paid out to the shareholders. The difference between the distributed amount and the PLN 3.5m approved by the General Meeting results from rounding off the amount of dividend per share. Pursuant to the General Meeting's resolution, the difference was contributed to the Company's reserve capital.

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 2017 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.

19. 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 December 31st 2017	For the year ended December 31st 2016
Profit before tax	**3,663**	**3,096**
Tax calculated at 19% rate	**696**	**588**
Taxable income/deductible expenses for which no deferred tax assets were recognised − total consolidation adjustments	1,077	1,467
Tax losses for which no deferred tax assets were recognised − other	28	-
Tax loss carryforwards for which no deferred tax assets were recognised	-	-
Use of unrecognised tax losses	-	-
Non-deductible expenses	2,536	1,052
Deductible/taxable temporary differences for which no deferred tax assets/liabilities were recognised	-	-
Non-taxable income	- 961	- 1,765
Tax base for current and deferred income tax	**6,343**	**3,850**
Reductions, exemptions	-	-
Income tax expense	**1,205**	**731**

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 2017 and December 31st 2016 were recognised with respect to the following items:

Deferred tax assets	Dec 31 2017	Dec 31 2016
Financial instruments available for sale and held for trading	418	162
Property, plant and equipment	27	29
Short-term receivables	235	120
Accruals	1,274	1,735
Tax loss brought forward	222	348
Other	7	25
Total deferred tax asset	**2,183**	**2,419**

Deferred tax liabilities	Dec 31 2017	Dec 31 2016
Financial instruments available for sale	41	231
Property, plant and equipment	248	308
Short-term receivables	106	123
Other	20	1
Total deferred tax liabilities	**415**	**663**
Net deferred tax assets	**1,768**	**1,756**

Temporary differences related to deferred tax liabilities as at December 31st 2017 and December 31st 2016 were recognised with respect to the following items:

Deferred tax assets	Dec 31 2017	Dec 31 2016
Short-term receivables	34	-
Other	156	147
Total deferred tax asset	**190**	**147**

Deferred tax liabilities	Dec 31 2017	Dec 31 2016
Short-term receivables	249	193
Other	-	3
Total deferred tax liabilities	**249**	**196**
Net deferred tax liabilities	**59**	**49**

20. Additional information of financial instruments

20.1. Fair value of instruments not measured at fair value

As at December 31st 2017 and December 31st 2016, the carrying amounts of financial assets and financial liabilities approximated their fair values.

As at Dec 31 2017

Instrument category and item of the consolidated statement of financial position	carrying amount	fair value
Loans and receivables	**339,587**	**339,587**
- cash and cash equivalents	67,482	67,482
- current and non-current receivables	272,105	272,105
Financial liabilities at amortised cost:	**264,602**	**264,602**
- current liabilities (credit facility)	27,351	27,351
- current liabilities (other than credit facility)	237,251	237,251

As at Dec 31 2016

Instrument category and item of the consolidated statement of financial position	carrying amount	fair value
Loans and receivables	**313,005**	**313,005**
- cash and cash equivalents	42,714	42,714
- current and non-current receivables	270,291	270,291
Financial liabilities at amortised cost:	**244,662**	**244,662**
- current liabilities (credit facility)	14,784	14,784
- current liabilities (other than credit facility)	229,878	229,878

Cash bears interest at fixed and variable interest rates. In 2017 and 2016, the Group did not recognise any impairment losses on loans. Impairment losses on receivables are described in Note 13.2.1. Income from interest on loans and receivables amounted to PLN 578 thousand in 2017 (of which PLN 33 thousand was interest accrued but not received) (2016: PLN 427 thousand, of which PLN 16 thousand was interest accrued but not received). Impairment losses pertain only to instruments that are recognised under loans and receivables.

In 2017, expenses related to interest on a credit facility amounted to PLN 1,133 thousand (2016: PLN 1,236 thousand). Interest on borrowings pertains only to short-term facilities. In 2017, realised expenses related to interest on bank borrowings amounted to PLN 1,081 thousand (2016: PLN 1,158 thousand), with unrealised interest of PLN 52 thousand reported as at December 31st 2017 (2016: PLN 78 thousand).

20.2. Financial assets and liabilities recognised in the consolidated statement of financial position

The table below sets forth financial instruments measured at fair value classified in a 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 Dec 31 2017

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Derivative instruments	-	-	-	-
Financial assets held for trading other than derivative instruments	3,009	-	-	3,009
Total financial assets measured at fair value through profit or loss	**3,009**	**-**	**-**	**3,009**
Financial liabilities measured at fair value through profit or loss				
Derivative instruments	-	-	-	-
Total financial liabilities measured at fair value through profit or loss	**-**	**-**	**-**	

Financial assets available for sale measured through equity				
Investment certificates and investment fund units	-	8,637	-	8,637
Debt instruments	808	-	-	808
Total financial assets available for sale measured through equity	**808**	**8,637**	**-**	**9,445**

** The amount does not include IFA shares as they are measured at cost (in accordance with IAS 39).*

As at Dec 31 2016

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Derivative instruments	-	-	-	-
Financial assets held for trading other than derivative instruments	126	-	-	126
Total financial assets measured at fair value through profit or loss	**126**	**-**	**-**	**126**
Financial liabilities measured at fair value through profit or loss				
Derivative instruments	-	-	-	-
Total financial liabilities measured at fair value through profit or loss	**-**	**-**	**-**	**-**
Financial assets available for sale measured through equity				
Investment certificates and investment fund units	-	8,561	-	8,561
Debt instruments	7,866	-	-	7,866
Total financial assets available for sale measured through equity	**7,866**	**8,561**	**-**	**16,427**

** The amount does not include the value of shares in IBS Srl, IFA and IFA SK as they are measured at cost (in accordance with IAS 39).*

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

21. Exclusions of companies from consolidation

In line with IAS 8.8, which permits departures from the IFRSs when the effect of such departure is immaterial, IPOPEMA Business Services Srl and IFA were not consolidated in these consolidated financial statements (IFA SK was not consolidated in 2016).

	IPOPEMA Financial Advisory Sp. z o.o.	IPOPEMA Business Services Srl.
Total assets as at Dec 31 2017	3	-
% share in parent's total assets	-	-
Revenue in Jan 1–Dec 31 2017	13	-
% share in parent's revenue	-	-
Net assets as at Dec 31 2017	- 5	-
Net profit/(loss) in Jan 1–Dec 31 2017	- 1	-

	IPOPEMA Financial Advisory Sp. z o.o.	IPOPEMA Financial Advisory Sp. z o.o. SK	IPOPEMA Business Services Srl.
Total assets as at Dec 31 2016	2	10	55
% share in parent's total assets	-	-	0.02
Revenue for period Jan 1 – Dec 31 2016	-	-	263
% share in parent's revenue	-	-	0.70
Net assets as at Dec 31 2016	2	10	40
Net profit/(loss) for period Jan 1 – Dec 31 2016	- 5	-	16

22. Contingent liabilities and contingent assets

No contingent liabilities or contingent assets were carried by the Group as at December 31st 2017 or December 31st 2016.

23. Guarantees

In January 2012, Nordea Bank Polska S.A. (currently PKO Bank Polski S.A.) issued to the Company a guarantee of up to EUR 268 thousand, secured with a security deposit of PLN 1,367 thousand. Under an annex executed in 2015, the guarantee amount was increased to EUR 277 thousand. The guarantee, provided until April 15th 2018, secures liabilities under lease of new office space.

In March 2016, mBank S.A. issued a guarantee in respect of the Company's liabilities for the benefit of Raiffeisen Polbank S.A., which is IPOPEMA Securities S.A.'s clearing bank for transactions executed on foreign stock exchanges. The guarantee was issued for EUR 1.5m and secures timely payment of the Company's liabilities towards Raiffeisen Polbank arising in connection with the services provided by the bank, consisting in settlement and clearing of stock exchange transactions. The guarantee, expiring on April 30th 2018, is secured with a security deposit of EUR 1.5m.

24. Business combinations and acquisitions of non-controlling interests

24.1. Business combinations and acquisition of subsidiaries

The Group did not acquire any subsidiaries in 2017 or 2016.

24.2. Disposal of subsidiaries

In the period covered by these consolidated financial statements and the preceding periods, the Group did not dispose of any businesses.

25. Related-party transactions

Related-party transactions – income and expenses

Related party	Revenue	Purchases	Revenue	Purchases
	Jan 1–Dec 31 2017		Jan 1–Dec 31 2016	
IPOPEMA Business Services Srl	-	-	-	262
IPOPEMA Financial Advisory Sp. z o.o.	-	13	-	-
Members of the Management and Supervisory Boards	3	30	42	73
Total	**3**	**43**	**42**	**335**

Related-party transactions – receivables and liabilities

Related party	Receivables		Liabilities	
	Dec 31 2017	Dec 31 2016	Dec 31 2017	Dec 31 2016
IPOPEMA Business Services Srl	-	-	-	-
IPOPEMA Financial Advisory Sp. z o.o.	7	-	-	-
Members of the Management and Supervisory Boards	-	13	-	-
Total	**7**	**13**	**-**	**-**

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 25.5.

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

25.1. Terms of related-party transactions

As a rule, transactions with related parties are executed on arms' length terms, subject to Note 25.3 below.

25.2. Loan advanced to members of the Management Board

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

25.3. Transactions involving members of the Management and Supervisory Boards

Members of the Management and Supervisory Boards executed (directly or through their subsidiaries) transactions in securities on the regulated market and outside the stock-exchange market, with Group companies acting as intermediaries. The Group's revenue from transactions with those persons totalled PLN 3 thousand in 2017 and PLN 0.4 thousand in 2016. Those persons also used fund management services in 2017 and 2016; two funds in which some members of the Company's Management Board or their related persons are investors, were exempted from administration fees.

The Company subleased office space to a company linked to a member of its Supervisory Board. The total value of turnover under the sublease was PLN 50 thousand in 2017 and PLN 73 thousand in 2016.

In 2016, the Group used legal advisory services of the law firms of Jacek Jonak, Chairman of the Company's Supervisory Board, and Zbigniew Mrowiec, then a Member of the Company's Supervisory Board. In both cases, the total value of transactions remained below PLN 100,000.

25.4. 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 Group recognised costs related to the contract totalling PLN 13 thousand.

25.5. 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	
	2017	2016	2017	2016
Management Board	**2,312**	**3,346**	**396**	**1,080**
Jacek Lewandowski	738	887	101	270
Mirosław Borys	494	694	101	270
Mariusz Piskorski	529	668	101	270
Stanisław Waczkowski	520	729	93	270

Daniel Ścigała	31	368	-	-
Supervisory Board	**150**	**117**	**12**	**-**
Jacek Jonak	40	33	-	-
Janusz Diemko	22	16	-	-
Bogdan Kryca	24	18	-	-
Michał Dobak	28	24	-	-
Piotr Szczepiórkowski	20	-	8	-
Zbigniew Mrowiec	16	26	4	-

Benefits to the key management staff

In 2017 and 2016, 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 2 thousand as at December 31st 2017 and at PLN 5 thousand as at December 31st 2016. The holiday benefits were not included in the table above.

Agreements with Mariusz Piskorski and Mirosław Borys, dated 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.

26. 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 2017	**Dec 31 2016**	**Dec 31 2017**	**Dec 31 2016**
Cash and cash equivalents	**67,482**	**42,714**	**67,520**	**42,185**
1. In hand	2	2	2	2
2. At banks	24,555	26,559	24,555	26,559
3. Other cash	42,866	15,645	42,866	15,645
4. Cash equivalents (deposit for a period exceeding three months)	59	508	-	-
5. Accrued foreign exchange differences	-	-	97	- 21

The difference between the presentation of cash in the statement of financial position and in the statement of cash flows in 2017 and 2016 follows from adjusting cash for the effect of foreign exchange differences and from presenting gift cards received from a telecom operator and deposits maturing in more than three months under cash.

Cash at the end of the period comprises the Group's own and its clients' cash and cash equivalents - for more information on the structure of cash see Note 13.1.

Differences in changes in balance-sheet items

	Presentation in the consolidated statement of financial position		Presentation in the consolidated statement of cash flows – change
	Dec 31 2017	Dec 31 2016	2017
Gross short- and long-term receivables	274,349	271,171	- 2,874
Net receivables	272,105	270,291	
Impairment losses on receivables	2,244	880	1,364
Prepayments and accrued income	1,815	1,336	
Accruals and deferred income (net of deferred tax related to equity and provision for unpaid interest)	7,479	9,595	- 2,595
Total increase/(decrease) in impairment losses and accruals and deferrals			**- 1,231**

The difference between 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 2017 net of receivables under loans advanced, security deposits receivable, and receivables related to investing activities.

	Presentation in the consolidated statement of financial position		Presentation in the consolidated statement of cash flows – change
	Dec 31 2016	Dec 31 2015	2016
Gross short- and long-term receivables	271,171	180,371	- 90,714
Net receivables	270,291	179,801	
Impairment losses on receivables	880	570	310
Prepayments and accrued income	1,336	1,184	
Accruals and deferred income (net of deferred tax related to equity and provision for unpaid interest)	9,595	9,670	- 227
Total increase/(decrease) in impairment losses and accruals and deferrals			**83**

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 results from the presentation of receivables as at December 31st 2016 net of receivables under loans advanced, dividends receivable and interest receivable under a security deposit paid, which were disclosed under investing activities, and from the reclassification of the security deposit to short-term receivables.

27. Leases

The Group as a lessee – right to use a building

The Group companies lease office space under lease contracts. The right to use the building for the term of the contract was classified by the Company as operating lease. The lease contract providing for the right to use the building was executed for a period of five years, 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.

Minimum lease payments are presented in the table below.

Operating lease liabilities	Dec 31 2017	Dec 31 2016
	Present value of minimum lease payments	
Within 1 year *	2,055	2,251
Within 1 to 5 years *	8,219	8,976
Over 5 years *	87	2,796
Total operating lease liabilities	**10,361**	**14,023**
Cost of operating leases recognised in the year ended	**2,590**	**2,876**

** Average annual amount during the lease term.*

Finance leases

ipopema

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.

The lease contracts were classified as finance leases. Minimum lease payments are presented in the table below.

Finance lease liabilities	Dec 31 2017	Dec 31 2016
Net carrying amount	4,200	577
Present value of minimum lease payments	4,342	727
Within 1 year	1,158	242
Within 1 to 5 years	3,184	485
Over 5 years	-	-
Contingent lease payments recognised as expense in the period	**329**	**226**

Finance lease liabilities	Dec 31 2017	Dec 31 2016
Net carrying amount	3,618	-
Present value of minimum lease payments	3,618	-
Within 1 year	675	-
Within 1 to 5 years	2,943	-
Over 5 years	-	-
Contingent lease payments recognised as expense in the period	**605**	**-**

28. 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 16.3. In 2017 and 2016, there were no exchange differences disclosed in other comprehensive income as a component of equity.

29. Security over assets of the IPOPEMA Securities Group

Both in 2017 and 2016, the Group's assets were used as security for working capital overdraft facilities (see Note 15.3.2).

In 2017 and 2016, save for security deposits of PLN 4m and HUF 409m in a bank account, blank promissory notes with promissory note declarations, powers of attorney over bank accounts held with the lending bank (securing an overdraft facility), security deposits securing guarantees (see Note 23), and the security deposit of EUR 1.5m to secure the settlement of transactions executed on foreign stock exchanges, the Group did not have any liabilities secured with its assets as at December 31st 2017.

In January 2012, Nordea Bank Polska S.A. (currently PKO Bank Polski S.A.) issued to the Company a guarantee of up to EUR 268 thousand, secured with a security deposit of PLN 1,403 thousand. Under an annex executed in 2015, the guarantee amount was increased to EUR 277 thousand. The guarantee, provided until April 15th 2018, secures liabilities related to the lease of office space.

30. Pending court or administrative proceedings and inspections at the Group companies

30.1. Pending court or administrative proceedings

In April 2016, the Company filed a suit for payment under writ-of-payment proceedings against one of its clients. The amount of the claim is PLN 49.2 thousand. A payment order was issued in the case, which was subsequently appealed by the defendant, with the appeal rejected by the court on formal grounds. The defendant filed a complaint. The proceedings are pending.

In May 2017, the Company filed two further suits. In each case, the amount of the claim is PLN 30 thousand. In January 2018, in one of these cases, the court issued a payment order with a writ of execution, and enforcement proceedings were instituted. As regards the other case, a payment order was issued in December 2017; as at the date of these financial statements, the proceedings are pending.

On November 14th 2017, the Management Company received a copy of a statement of claim filed by a former employee, seeking payment of PLN 40,500 in severance pay allegedly agreed between the parties. The Management Company disputed the claim in its entirety, taking steps to have it dismissed by the court.

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 seeks payment of PLN 20,554,900.90m 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 believes that the claim brought by GPW is groundless and has taken legal action to have it dismissed by filing a response to the statement of claim with the court (at the moment IPOPEMA TFI is awaiting further decisions by the court with respect to this matter). For this reason, IPOPEMA TFI has not recognised any provision for potential costs related to the claim. However, it cannot be ruled out that the final judgment may be unfavourable for IPOPEMA TFI, but given the early stage of the proceedings, the probability of the outcome cannot be reliably determined.

In March 2015, the PFSA imposed a PLN 50,000 fine on the Management Company for a subfund's non-compliance with investment restrictions. The Management Company rejected the PFSA's arguments and applied for re-examination of the case. On August 16th 2017, the Management Company received the PFSA's decision upholding the fine.

30.2. Inspections

In 2017, an inspection was carried out at the Company by the Central Securities Depository of Poland, which concerned records of financial instruments and the operation of the IT systems used to maintain the records. The Company received one post-inspection recommendation from the CSDP, which was implemented.

In the same year, representatives of the Social Security Institution (ZUS) carried out an inspection at the Company and IPOPEMA TFI concerning the settlement of social security benefits and discharge of other employer obligations. The post-inspection reports delivered to the companies contained findings and recommendations, which were duly implemented.

In 2017, the PFSA carried out an inspection at IPOPEMA TFI, concerning the process of investment fund valuation and management, as well as representation of funds in dealings with third parties. The Management Company received post-inspection recommendations in January 2018. The recommendations are being implemented by the Management Company.

In 2016, an external inspection was carried out at IPOPEMA TFI by the Polish Financial Supervision Authority (PFSA). The inspection focused on the correctness of executing orders to convert investment fund units. Following the inspection, IPOPEMA TFI received certain recommendations from the PFSA, all of which were implemented.

In 2016, there were three external inspections at the Company. The first inspection was carried out by representatives of the Warsaw Stock Exchange and related to the Company's compliance with the WSE rules applicable to its members and to the fulfilment of the requirements related to access to the WSE IT systems. The post-inspection statements received by the Company contained two recommendations, both of which were implemented. The second inspection was performed by BondSpot S.A. and concerned the Company's compliance with the ATS market regulations and with the conditions of access to the ATS transaction platform. The inspection report delivered to the Company contained two recommendations, both of which were implemented. The last inspection was carried out by the Central Securities Depository of Poland (CSDP) and concerned records of financial instruments and the operation of the IT systems used to maintain the records. The Company received one post-inspection recommendation from the CSDP, which was implemented.

31. Objectives and principles of financial risk management

Operations on capital markets inherently involve various financial risks which may have a material 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.

31.1. Market risk

The IPOPEMA Securities Group is exposed to the following types of market risk: interest rate risk, currency risk, credit risk, liquidity 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 2017, their value stood at PLN 3,009 thousand (December 31st 2016: PLN 126 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 2017 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	Value of the item in PLN thousand according to the 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	27,696	277	- 277	561	- 561	-	-	-	-
Bank deposits	-	-	-	-	-	-	-	-	-
Trade and other receivables	272,030	- 38	38	5,865	- 5,865	-	-	-	-
Financial instruments held for trading*	3,009	-	-	4	- 4	301	- 301	-	-
Financial instruments available for sale**	9,455	8	- 8	-	-	-	-	864	- 864
Financial liabilities									
Trade and other payables	237,250	43	- 43	- 5,408	5,408	-	-	-	-
Borrowings	27,351	- 274	274	-	-	-	-	-	-
Total	**47,589**	**16**	**- 16**	**1,022**	**- 1,022**	**301**	**- 301**	**864**	**- 864**

** The financial instruments held for trading used in the sensitivity analysis include financial instruments used in brokerage activities.*

*** The amount does not include the value of shares in IFA and IBS Srl as they are measured at cost (in accordance with IAS 39).*

The assumptions adopted in the sensitivity analysis as at December 31st 2016 are described in the table next to each type of risk.

Item of the consolidated financial statements	Value of the item in PLN thousand according to the 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	29,795	298	- 298	657	- 657	-	-	-	-
Bank deposits	500	5	- 5	-	-	-	-	-	-
Trade and other receivables	268,907	-	-	8,468	- 8,468	-	-	-	-
Financial instruments held for trading*	126	-	-	-	-	13	- 13	-	-
Financial instruments available for sale**	16,427	79	- 79	-	-	-	-	856	- 856
Financial liabilities									
Trade and other payables	229,633	-	-	- 7,620	7,620	-	-	-	-
Borrowings	14,784	- 148	148	-	-	-	-	-	-
Other financial liabilities	732	- 7	7	-	-	-	-	-	-
Total	**70,606**	**227**	**- 227**	**1,505**	**- 1,505**	**13**	**- 13**	**856**	**- 856**

** Financial instruments held for trading included in the sensitivity analysis are financial instruments involved in brokerage activities.*

*** The amount does not include the value of shares in IBS Srl, IFA and IFA SK as they are measured at cost (in accordance with IAS 39).*

31.2. 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 13.1 and Note 15.3.

Given that in the reporting period the Group held both assets and liabilities bearing interest at fixed and 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 following reporting periods, the Group did not hedge its exposure to the interest rate risk, as in its opinion the risk is not significant.

	2017			
Variable interest rate	**<1 year**	**1-5 years**	**> 5 years**	**Total**
Cash assets	67,421	-	-	67,421
Overdraft facilities	27,351	-	-	27,351
Total	**94,772**	**-**	**-**	**94,772**

	2017			
Fixed interest rate	**<1 year**	**1-5 years**	**> 5 years**	**Total**
Cash assets	-	-	-	-
Total	**-**	**-**	**-**	**-**

2016				
Variable interest rate	**<1 year**	**1-5 years**	**> 5 years**	**Total**
Cash assets	41,706	-	-	41,706
Overdraft facilities	14,784	-	-	14,784
Total	**26,922**	**-**	**-**	**26,922**

2016				
Fixed interest rate	**<1 year**	**1-5 years**	**> 5 years**	**Total**
Cash assets	500	-	-	500
Total	**500**	**-**	**-**	**500**

31.3. 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 HUF exchange rates and, to a lesser extent, in the USD and CZK exchange rates. However, both in 2017 and 2016 most of the Group's operating expenses were incurred in PLN.

In addition, due to the parent's operations in Hungary and the Czech Republic it uses foreign currencies (HUF, CZK) to settle stock-exchange transactions and other expenses in those markets (including fees payable to the clearing bank and stock exchanges). Owing to 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 foreign-currency security deposits and cash in bank accounts. For an assessment of the effect of foreign exchange fluctuations as at December 31st 2017 and December 31st 2016, see Note 31.1.

	Dec 31 2017	Dec 31 2016
Foreign-currency receivables		
- EUR	6,099	4,542
- HUF	1,736,987	2,446,153
- USD	1,706	6,324
- CZK	46,533	36,435
- RON	49	48
- TRY	1,188	-
- GBP	894	-
Foreign-currency liabilities		
- EUR	4,977	3,917
- HUF	1,081,962	1,885,380
- USD	1,934	6,375
- CZK	45,472	35,343
- GBP	896	2
- TRY	1,187	-
- RON	1	1
Cash in foreign currencies		
- CZK	83	76
- EUR	1,729	1,096
- HUF	115,817	2,267
- RON	39	283
- USD	245	254
- GBP	11	7
- SEK	74	3
- JPY	1	2
- DKK	10	1
- NOK	40	12
- CHF	17	7
- AUD	-	1
- TRY	6	223

31.4. 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. Such instruments are disclosed as financial instruments held for trading in the consolidated financial statements. The Group also holds investment certificates and investment fund units, which are exposed to the risk of volatility of certificate current price, but the aggregate value of the certificates and fund units 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 2017 and December 31st 2016, see Note 31.1.

31.5. 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. In view of the above, the Group believes that credit risk was accounted for in the consolidated financial statements through recognition of impairment losses. Age of receivables and recognised impairment losses are presented in Note 13.2.1.

In the Management Board's opinion, there is no significant concentration of credit risk at the Group as the Group renders services to a large number of clients. None of the clients' accounts for more than 10% of the Group's revenue.

With respect to the Group's other financial assets, such as cash and cash equivalents, financial assets held for trading and available for sale, credit risk is related to the potential inability of a counterparty to meet its payment obligation, and the maximum exposure to the risk is equal to the carrying amount of those assets (see Notes 13.1, 13.4 and 13.5). Credit risk connected with bank deposits, financial instruments and other investments is considered low as the Group executed the transactions with institutions of sound financial standing.

The Group companies had no exposures with modified terms subject to forbearance in 2017 or 2016. 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 2017, the maximum value at risk under credit risk for instruments carried as loans advanced and receivables (Note 20.1) was PLN 339,587 thousand (December 31st 2016: PLN 313,005 thousand).

31.6. 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.

In the Group's opinion, given the significant amount of cash held as at the end of the reporting period (Note 13.1), access to credit facilities to finance the Groups' operations on stock exchanges (Note 15.3.2) and the sound financial standing of the Group, the liquidity risk is insignificant.

Note 15.3.1 includes a table presenting age of liabilities. The vast majority of the liabilities (94%) 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 2017, the balance of stock exchange transactions (receivables vs. liabilities) stood at PLN 2,081 thousand (December 31st 2016: PLN 437 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.

32. **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 2017 and December 31st 2016, the Group's equity was PLN 79,886 thousand and PLN 79,225 thousand, respectively.

IPOPEMA Securities S.A. is a brokerage house, and it also 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 is required to calculate own funds and prudential requirements in compliance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26th 2013 on prudential requirements for investment institutions and firms, amending Regulation (EU) No. 648/2012 (OJ L 176 of June 27th 2013, as amended) ("CRR"), under which the Group is required to maintain adequate 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 14.4. 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 15.3.2). 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 appropriately 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 specialised open-end investment fund or a closed-end investment fund, 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.

33. Workforce structure

In 2017 and 2016, the average number of employees at the IPOPEMA Securities Group was as follows:

	2017	2016
Management Board of the parent	4	5
Management Boards of the Group companies	5	6
Other	188	191
Total	**197**	**202**

34. Clients' financial instruments

As at December 31st 2017, the value of stock-exchange listed financial instruments in book-entry form registered in clients' accounts was PLN 813,429 thousand (103,961 thousand instruments) (December 31st 2016: PLN 408,272 thousand and 24,434 instruments). As at December 31st 2017, the Company kept 40 thousand bonds in certificated form for its clients, valued at PLN 44.2m, and 92,859 thousand shares, valued at PLN 9,383 thousand. As at December 31st 2016, the Company kept 40 thousand bonds in certificated form for its clients, valued at PLN 40m, and 162,583 thousand shares, valued at PLN 16,258 thousand.

The Company also operates an issue sponsor's account. As at December 31st 2017, 291 thousand WSE-listed financial instruments in book-entry form (shares) were registered in the account, worth PLN 391 thousand (December 31st 2016: 291 thousand shares with a value of PLN 560 thousand).

35. Auditor's fees

The entity authorised to audit the Company's full-year separate and consolidated financial statements for 2017 and to review the financial statements for H1 2017 is BDO Sp. z o.o., with its registered office at ul. Postępu 12, Warsaw, Poland.

	2017	2016
Mandatory audit of financial statements	90	109
Other assurance services	107	95
Other services	-	-
Total	**197**	**204**

36. Discontinued operations

The Group did not identify any discontinued operations in 2017 or 2016. Accordingly, all information presented in these consolidated financial statements relates to continuing operations.

37. Events subsequent to the end of reporting period

All events with effect on the 2017 consolidated financial statements are disclosed in the accounting records for 2017.

Warsaw, March 27th 2018

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

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