The IPOPEMA Securities Group

Consolidated financial statements

for the year ended December 31st 2020

Warsaw, March 29th 2021

ipopema

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Financial highlights

Consolidated financial highlights	PLN '000 2020	PLN '000 2019	EUR '000 2020	EUR '000 2019
Revenue from core activities	257,992	139,992	57,662	32,543
Cost of core activities	218,504	134,699	48,836	31,312
Profit/(loss) on core activities	39,488	5,293	8,826	1,230
Operating profit/(loss)	37,561	6,413	8,395	1,491
Profit/(loss) before tax	37,899	4,316	8,471	1,003
Net profit/(loss) from continuing operations	30,201	3,534	6,750	822
Net profit/(loss)	30,201	3,534	6,750	822
Net profit/loss from continuing operations per ordinary share (PLN/EUR)				
- basic	0.99	0.10	0.22	0.02
- diluted	0.99	0.10	0.22	0.02
Net cash from operating activities	247,586	29,532	55,336	6,865
Net cash from investing activities	- 1,061	307	- 237	71
Net cash from financing activities	3,626	- 14,007	810	- 3,256
Total cash flows	250,151	15,832	55,910	3,680

Consolidated financial highlights	PLN '000 Dec 31 2020	PLN '000 Dec 31 2019	EUR '000 Dec 31 2020	EUR '000 Dec 31 2019
Total assets	589,073	271,200	127,649	63,684
Total liabilities	475,113	187,456	102,954	44,019
Equity	113,960	83,744	24,694	19,665
Number of shares	29,937,036	29,937,836	29,937,836	29,937,836
Book value per share (PLN/EUR)	3.81	2.80	0.82	0.66

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

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

Average exchange rate calculated as the arithmetic mean of the exchange rates quoted on the last day of each month in the period	2020	2019
EUR	4.4742	4.3018

- Items of the consolidated statement of financial position:

Exchange rate as at	Dec 31 2020	Dec 31 2019
EUR	4.6148	4.2585

- High and low EUR exchange rates in the period:

EUR	2020	2019
Low rate	4.2279	4.2406
High rate	4.6330	4.3891

These consolidated financial statements for the year ended December 31st 2020 were authorised for issue by the Management Board on March 29th 2021.

Consolidated statement of comprehensive income

for the year ended December 31st 2020

	Note	2020	2019
CONTINUING OPERATIONS			
Revenue from core activities	15.1	**257,992**	**139,992**
Cost of core activities	15.2	**218,504**	**134,699**
Profit/(loss) on core activities		**39,488**	**5,293**
Gain/(loss) on financial assets measured at fair value through profit or loss	15.4	- 650	- 301
Other income	15.5	2,022	3,046
Other expenses	15.5	3,299	1,625
Operating profit/(loss)		**37,561**	**6,413**
Finance income	15.3	1,729	1,003
Finance costs	15.3	1,391	3,100
Profit/(loss) before tax		**37,899**	**4,316**
Income tax	17	7,698	782
Net profit/(loss) on continuing operations		**30,201**	**3,534**
DISCONTINUED OPERATIONS		**0**	**0**
Net profit/(loss) for period		**30,201**	**3,534**
Attributable to:			
Owners of the parent		29,677	3,116
Non-controlling interests		524	418
Net profit/(loss) for period		**30,201**	**3,534**
Other comprehensive income		**226**	**153**
Other comprehensive income before tax		**279**	**189**
Other comprehensive income that will not be reclassified to profit or loss		**279**	**189**
Gains and losses on remeasurement of equity instruments		279	189
Income tax on items of other comprehensive income		**- 53**	**- 36**
Income tax relating to components of other comprehensive income that will not be reclassified to profit or loss		- 53	-36
Comprehensive income for period		**30,427**	**3,687**
Attributable to:			
Owners of the parent		29,903	3,269
Non-controlling interests		524	418

Earnings per share

	Note	2020	2019
Earnings/(loss) per share on continuing operations (PLN)	9	0.99	0.10
Earnings/(loss) per share on discontinued operations (PLN)	9	0	0
Earnings/(loss) per share (PLN)	9	0.99	0.10
Diluted earnings/(loss) per share on continuing operations (PLN)	9	0.99	0.10
Diluted earnings/(loss) per share on discontinued operations (PLN)	9	0	0
Diluted earnings/(loss) per share (PLN)	9	0.99	0.10

Consolidated statement of financial position

as at December 31st 2020

ASSETS	Note	Dec 31 2020	Dec 31 2019
Cash and cash equivalents	12.1	313,202	62,713
Trade and other receivables (including accrued income)	12.2	254,622	186,981
Current tax assets		75	12
Financial assets measured at fair value through profit or loss	12.4, 18.2	120	308
Equity instruments measured through other comprehensive income	12.5, 18.1	3,259	4,972
Right-of-use assets	25	9,728	9,768
Property, plant and equipment	12.6	2,402	1,781
Intangible assets	12.7	1,577	1,192
Deferred tax assets	17	4,088	3,473
TOTAL ASSETS		**589,073**	**271,200**

EQUITY AND LIABILITIES		Dec 31 2020	Dec 31 2019
Trade and other payables	14.3	431,069	163,848
Current tax liabilities		6,205	292
Financial liabilities measured at fair value through profit or loss		101	0
Lease liabilities	25	13,561	14,020
Deferred tax liabilities	17	643	454
Accrued expenses and deferred income	14.1	23,534	8,842
Total liabilities		**475,113**	**187,456**
Share capital	13.1	2,994	2,994
Share premium		10,351	10,351
Other components of equity		3,948	3,652
Retained earnings	13.2	91,699	62,139
Total equity attributable to owners of the parent		**108,992**	**79,136**
Non-controlling interests	13.3	**4,968**	**4,608**
Total equity		**113,960**	**83,744**
TOTAL EQUITY AND LIABILITIES		**589,073**	**271,200**

Consolidated statement of cash flows

for the year ended December 31st 2020

CASH FLOWS	Note	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES	24		
Net profit		**30,201**	**3,534**
Total adjustments:		**219,875**	**27,212**
Adjustments related to income tax expense		7,698	782
Depreciation and amortisation		5,312	4,885
Foreign exchange gains/(losses)		- 338	57
Interest and dividends		1,021	1,237
Change in financial assets at fair value through profit or loss		188	9,448
Increase/(decrease) in receivables		- 69,876	5,021
Increase/(decrease) in trade and other payables (excluding borrowings)		259,044	6,209
Increase/(decrease) in provisions and impairment losses on receivables		2,010	- 915
Increase/(decrease) in accruals and deferrals		14,586	- 1,045
Adjustment related to implementation of IFRS 16		0	1,578
Other adjustments		230	- 45
Cash flows from (used in) operating activities		**250,076**	**30,746**
Income tax paid		- 2,490	- 1,214
Net cash from operating activities		**247,586**	**29,532**
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in loans		- 1,021	- 624
Interest received		207	8
Decrease in loans		179	158
Acquisition of property, plant and equipment		- 1,569	- 677
Acquisition of intangible assets		- 913	- 134
Acquisition of equity instruments measured through other comprehensive income		- 66	- 23,125
Sale of equity instruments measured through other comprehensive income		2,122	24,701
Net cash from investing activities		**- 1,061**	**307**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of debt securities		1	2
Repayment of debt securities		- 1	- 3
Interest paid		- 750	- 979
Payment of lease liabilities		- 4,733	- 3,741
Payment of borrowings		0	- 8,686
Increase in borrowings		9,838	0
Dividends paid to owners of the parent		0	0
Dividends to non-controlling interests		- 729	- 600
Net cash from financing activities		**3,626**	**- 14,007**
Total cash flows		**250,151**	**15,832**
Net increase in cash and cash equivalents		250,489	15,775
Effect of exchange rate fluctuations on cash held		338	- 57
Cash at beginning of period		62,713	46,938
Cash at end of period, including		**313,202**	**62,713**
*restricted cash**		*272,081*	*28,835*

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

Consolidated statement of changes in equity

for the year ended December 31st 2020

	Share capital	Share premium	Revaluation capital reserve	Other components of equity	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As at Jan 1 2020	**2,994**	**10,351**	**438**	**3,214**	**62,139**	**79,136**	**4,608**	**83,744**
Net profit for 2020	0	0	0	0	29,677	29,677	524	30,201
Other comprehensive	0	0	226	0	0	226	0	226
Total comprehensive	**0**	**0**	**226**	**0**	**29,677**	**29,903**	**524**	**30,427**
Dividend paid	0	0	0	0	0	0	- 88	- 88
Other increases/(decrea	0	0	70	0	- 117	- 47	- 76	- 123
Change in equity during the period	**0**	**0**	**296**	**0**	**29,560**	**29,856**	**360**	**30,216**
As at Dec 31 2020	**2,994**	**10,351**	**734**	**3,214**	**91,699**	**108,992**	**4,968**	**113,960**

	Share capital	Share premium	Revaluation capital reserve	Other components of equity	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As at Jan 1 2019	**2,994**	**10,351**	**72**	**3,214**	**59,186**	**75,817**	**4,590**	**80,407**
Net profit for 2019	0	0	0	0	3,116	3,116	418	3,534
Other comprehensive	0	0	316	0	- 163	153	0	153
Total comprehensive	**0**	**0**	**316**	**0**	**2,953**	**3,269**	**418**	**3,687**
Dividend paid	0	0	0	0	0	0	- 400	- 400
Other increases/(decrea	0	0	50	0	0	50	0	50
Change in equity during the period	**0**	**0**	**366**	**0**	**2,953**	**3,319**	**18**	**3,337**
As at Dec 31 2019	**2,994**	**10,351**	**438**	**3,214**	**62,139**	**79,136**	**4,608**	**83,744**

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Notes

1. IPOPEMA Securities Group

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

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

As at December 31st 2020, the IPOPEMA Securities Group comprised IPOPEMA Securities S.A. and its subsidiaries (see Note 2). All IPOPEMA Securities Group companies have been established for indefinite time. The financial statements of all subordinated entities were prepared for the same period as the parent's financial statements and in accordance with uniform accounting principles.

IPOPEMA Securities S. A. – the parent

The parent was established on March 2nd 2005 (as Dom Maklerski IPOPEMA S.A.) for indefinite time. The name of the Company was changed to IPOPEMA Securities Spółka Akcyjna under Resolution No. 5 of the Extraordinary General Meeting held on August 10th 2006.

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

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

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

Address of the registered office: ul. Prózna 9, 00-107 Warsaw, Poland

Country of registration: Poland

Registered office: ul. Prózna 9, 00-107 Warsaw, Poland

Legal form: joint-stock company (*spółka akcyjna*)

Name of ultimate parent: IPOPEMA Securities S.A.

Principal place of business: ul. Prózna 9, 00-107 Warsaw, Poland

From the end of the previous reporting period, there were no changes in the name or other identification data of the reporting entity.

Composition of the Management Board

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

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

Composition of the Supervisory Board

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

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

On January 23rd 2020, Zbigniew Mrowiec resigned from his position of member of the Supervisory Board, and Ewa Radkowska-Świętoń was appointed in his place on the same date.

On December 16th 2020, Michał Dobak resigned from his position of member of the Supervisory Board with effect from the nearest General Meeting of the Company.

Principal business activity

The Group's principal business includes:

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

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

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

As part of its brokerage business the Company provides comprehensive services in the area of intermediation in securities trading on the secondary market, and intermediates in debt instruments trading outside the regulated market for institutional investors, including open-end pension funds, investment fund management companies, asset managers and insurers, as well as private individuals. The brokerage business of IPOPEMA Securities S.A. is supported by a team of analysts, who provide research coverage on several dozen companies listed on the WSE and foreign stock exchanges.

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

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

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

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

2. Composition of the Group

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

As at December 31st 2020, the Group comprised IPOPEMA Securities S.A. and the following subsidiaries:

1) consolidated subsidiaries controlled by the Company

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

2) non-consolidated subsidiaries controlled by the Company:

Company	Principal business	Consolidation method	Ownership interest	% of voting rights
IPOPEMA Financial Advisory Sp. z o.o.	- support for the activities of IPOPEMA Financial Advisory Sp. z o.o. spółka komandytowa	not consolidated (due to immateriality of financial data)	100%	100%
MUSCARI Capital Sp. z o.o. ("MUSCARI")	- intermediation in offering the Company's brokerage services as an investment firm agent	not consolidated (due to immateriality of financial data)	100%	100%

IPOPEMA Financial Advisory Sp. z o.o. and MUSCARI are not consolidated as their effect on the Group's data is immaterial.

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

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

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

IPOPEMA Business Consulting Sp. z o.o. was established in 2008. Its share capital amounts to PLN 100,050 and comprises 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. IBC's principal business includes (i) other business and management consultancy, (ii) IT equipment management, (iii) IT consultancy, (iv) software consultancy, (v) wholesale of computers, peripheral equipment and software.

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

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

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

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

MUSCARI Capital Sp. z o.o. ('MUSCARI')

On March 16th 2020, the Company acquired 100% of shares in Grupa Finanset Sp. z o.o (whose name was then changed to MUSCARI Capital Sp. z o.o.). MUSCARI's share capital amounts to PLN 50 thousand and is divided into 1,000 shares. Its Management Board is composed of Michał Czynszak – President, and Arkadiusz Seta – Vice President of the Management Board.

3. Basis of preparation

3.1. Going concern assumption

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

3.2. Identification of financial statements

These consolidated financial statements of the Group cover the year ended December 31st 2020 and contain comparative data for the year ended December 31st 2019.
Unless stated otherwise, all amounts in tables are presented in PLN '000.

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

3.3. Statement of compliance

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

The Group companies keep their accounting books in accordance with the accounting principles set forth in the Polish Accounting Act of September 29th 1994 (the 'Act') and the subsidiary regulations issued thereunder ('Polish

Accounting Standards'). These consolidated financial statements contain adjustments which are not included in the accounting books of the Group entities but which were made to ensure compliance of the entities' financial statements with the IFRS.

3.4. Measurement currency and reporting currency

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

3.5. Comparability of data

There were no significant presentation changes in 2020 and 2019.

4. Significant accounting policies

Standards and interpretations which have been issued and are effective for annual periods beginning on or after January 1st 2020:

- Amendments to IFRS 9, IAS 39 and IFRS 7 – the IASB amended hedge accounting in connection with the planned reform of reference interest rates (WIBOR, LIBOR, etc.). These rates are often a hedged item, for example in the case of IRS hedges. The planned replacement of existing rates with new reference rates raised doubts as to whether the planned transaction is still highly probable, whether future hedged cash flows are still expected or whether there is an economic link between the hedged item and the hedging item. The amendment to the standards specified that it should be assumed in the estimates that there will be no change in reference rates. As the Group does not apply hedge accounting, the uncertainty related to interest rate derivatives does not affect its financial statements.
- IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* – the Board published a new definition of 'materiality'. Amendments to IAS 1 and IAS 8 clarify the definition of materiality and improve the standards' consistency.
- Amendments to IFRS 3 *Business Combinations* – the amendments to IFRS 3 include a change in the definition of 'business'. Under the amended standard, the scope of the definition is narrower and will probably increase the proportion of acquisitions classified as asset acquisition.
- Amendments to the Conceptual Framework for Financial Reporting in IFRS Standards – the Board prepared a new version of the Conceptual Framework for Financial Reporting. For consistency reasons, references to the conceptual framework, as included in various standards, were adjusted accordingly.

Except for the amendments to IFRS 16 described in item 5, the Group has not opted for early adoption of other standards and interpretations which have been issued but are not yet effective.

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

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

- Amendments to IFRS 10 and IAS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.* The accounting approach depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a business. Full gain or loss is recognised by the investor if the non-monetary assets constitute a business. If the assets do not meet the definition of a business, the investor recognises a partial gain or loss, excluding the part corresponding to other investors' interests. The effective date of the amended regulations has not been set by the International Accounting Standards Board.

- IFRS 17 *Insurance Contracts* – issued on May 18th 2017 and effective for annual periods beginning on or after January 1st 2023. The main objective of IFRS 17 is to ensure transparency and comparability of the insurers' financial statements. To this end, an entity will disclose quantitative and qualitative information to enable users of its financial statements to assess the impact of insurance contracts on the entity's financial position, financial performance and cash flows. IFRS 17 introduces a number of significant amendments to the existing IFRS 4 requirements.
- Amendments to IAS 1: *Classification of Liabilities as Current or Non-current* – issued on January 23rd 2020 and effective for annual periods beginning on or after January 1st 2023. The amendments to IAS 1 affect the requirements for presentation of liabilities in the financial statements. The classification of financial liabilities as non-current liabilities will depend on the existence of rights to defer settlement of the liability by at least twelve months and on the satisfaction of conditions for the deferment at the end of the reporting period.
- Amendments to IAS 16: *Property, Plant and Equipment*. The amended standard prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual periods beginning on or after January 1st 2022.
- Amendments to IFRS 16: *Leases*. The amended standard permits lessees not to treat COVID-19-related changes in lease contracts as lease modifications requiring adjustments to lease liabilities and right-of-use assets;
- Amendments to IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*. The amended standard clarifies what costs an entity considers in assessing whether a contract is onerous. The amendments are effective for financial statements for periods beginning on or after January 1st 2022.
- Annual Improvements – 2018-2020 Cycle – the amendments explain and clarify the guidance on recognition and measurement provided in the standards: IFRS 1 *First-time Adoption of International Financial Reporting Standards,* IFRS 9 *Financial Instruments*, IAS 41 *Agriculture*, and illustrative examples to IFRS 16 *Leases*. Effective for annual periods beginning on or after January 1st 2022.
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – IBOR reform are effective for annual periods beginning on or after January 1st 2021.
- Amendments to IFRS 4 *Insurance Contracts* – deferral of the application of IFRS 9 *Financial Instruments*. Effective for annual periods beginning on or after January 1st 2021.

The Group has opted to early adopt the amendments to IFRS 16 *Leases – Covid-19-Related Rent Concessions*. The Group companies received rent reductions of PLN 750 thousand and decided to recognise their effect on a one-off basis in profit or loss for the period concerned, i.e. the second half of 2020. Save as discussed above, the Group will apply the amended standards as of January 1st 2021, unless a different effective date is provided. Upon initial application, the amended standards will have no material effect on the Group's consolidated financial statements.

6. Significant judgements and assumptions

6.1. Professional judgement

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

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

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

The subjective judgements made as at December 31st 2020 and details regarding judgements and assumptions are presented in Note 6.2.

6.2. Estimation uncertainty

As certain items presented in the consolidated financial statements cannot be measured accurately, estimates need to be made in the preparation of the consolidated financial statements. The Group reviews such estimates taking into account changes in the factors on which such estimates were based, new information and past experience. Therefore, the estimates made as at December 31st 2020 may be changed if their underlying assumptions change or if the Group becomes aware of any facts affecting the estimates. For information on the key estimates, see the following Notes:

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

7. Changes in estimates

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

8. Significant accounting policies

8.1. Consolidation

These consolidated financial statements include the financial statements of IPOPEMA Securities S.A. and the financial statements of its subsidiaries prepared for the years ended December 31st 2020 and December 31st 2019 (in the case of the statement of comprehensive income, the statement of cash flows and the statement of changes in equity) and as at December 31st 2020 and December 31st 2019 (in the case of the statement of financial position). IFA and MUSCARI 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 inconsistencies in the applied accounting policies. The consolidated financial statements combine items of assets, liabilities, equity, income and expenses of the parent with those of its subsidiaries, and eliminate the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary.

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

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

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

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

8.2. Correction of errors

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

8.3. Translation of foreign-currency items

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

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

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

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

Currency	December 31st 2020	December 31st 2019
USD	3.7584	3.7977
EUR	4.6148	4.2585
HUF 100	1.2638	1.2885
GBP	5.1327	4.9971
CZK	0.1753	0.1676
CHF	4.2641	3.9213
TRY	0.5029	0.6380
JPY 100	3.6484	3.4959
NOK	0.4400	0.4320
CAD	2.9477	2.9139
SEK	0.4598	0.4073
DKK	0.6202	0.5700
AUD	2.8950	2.6624
RON	0.9479	0.8901

** Source: National Bank of Poland.*

8.4. Property, plant and equipment

Property, plant and equipment are disclosed at cost less depreciation charges and impairment losses, if any. Property, plant and equipment are initially disclosed at cost plus any costs directly related to the purchase of the assets and to bringing them to appropriate condition for their intended use. The cost also includes the cost of replacing component parts of plant and equipment, which is recognised when incurred if relevant recognition criteria are fulfilled. Costs incurred after an asset has been placed in service, such as costs of maintenance or repair, are charged to the consolidated statement of comprehensive income when incurred.
Upon acquisition, items of property, plant and equipment are divided into components of material value to which separate useful economic lives can be assigned.
Spare parts and service parts of material value recognised under property, plant and equipment are depreciated over their expected useful economic lives, which, however, may not be longer than the useful lives of the serviced items of property, plant and equipment.

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

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

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

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

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

8.5. Intangible assets

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

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

The Group determines whether intangible assets have definite or indefinite useful lives. Intangible assets with definite useful lives are amortised throughout their useful lives and tested for impairment each time there is an indication of impairment. The amortisation period and the amortisation method for an intangible asset with a definite useful life are reviewed at the end of each financial year or more frequently. Changes in the expected useful life or pattern of consumption of the future economic benefits embodied in an asset are disclosed by changing the amortisation period or amortisation method, as appropriate, and are accounted for as changes in accounting estimates. The Group does not hold any intangible assets with indefinite useful lives. Consequently, all intangible assets are amortised.

8.6. Leases

For each contract concluded on or after January 1st 2020, the Group decides whether the contract is or contains a lease. A lease is defined as a contract or part of a contract that conveys the right to control the use of an identified asset (the underlying asset) for a period of time in exchange for consideration. To this end, three main aspects are analysed:

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

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

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

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

Lease payments included in the value of a lease liability consist of fixed lease payments, variable lease payments based on an index or rate, expected amounts to be paid as a guaranteed residual value, and payments for a call option if its exercise is reasonably certain.
In subsequent periods, lease liabilities are reduced by payments made and increased by accrued interest. Measurement of a lease liability is updated to reflect changes in the contract and reassessment of the lease term, exercise of a purchase option, guaranteed residual value or lease payments based on an index or rate. As a rule, remeasurement is recognised as adjustment to the carrying amount of a right-of-use asset.

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

8.7. Financial assets

8.7.1. Categories of financial assets

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

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

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

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

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

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

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

A financial asset is measured at fair value through profit or loss if it is not measured at amortised cost or at fair value through other comprehensive income.
Financial assets acquired in transactions on the regulated market are recognised as at the transaction date at cost, i.e. at the fair value of the instrument, whereas financial liabilities are first recognised in the accounting books at the contract date at the fair value of the instrument.
As at each reporting date, financial assets measured at fair value through profit or loss are measured and any gains or losses are recognised as income or expense on finance instruments measured at fair value through profit or loss.
Financial assets measured at fair value through profit or loss held by the Group are shares listed on the Warsaw Stock Exchange ('WSE') and a currency forward. For the purpose of the measurement, the Group takes into account the closing prices quoted by the WSE on the last business day of the reporting period.

The Group does not apply hedge accounting.

Financial assets measured at fair value through other comprehensive income.

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

- it is managed in accordance with the business model the objective of which is to both collect the contractual cash flows and sell the financial asset,
- the contractual terms of the asset give rise to cash flows on specified dates, with the cash flows being solely payments of principal and interest on the principal amount outstanding.

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

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

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

'Investments in equity instruments measured at fair value through other comprehensive income' include in particular investment fund units and investment certificates purchased for the purpose of investing surplus funds. They are disclosed under non-current assets unless the Group intends to sell them within 12 months of the reporting date.

Investment certificates and fund units are recognised at fair value, based on the net asset 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. Subsequent to initial recognition, they are measured at fair value, and changes in the fair value are recognised in other comprehensive income and presented in equity as revaluation reserve.

Financial liabilities measured at amortised cost

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

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

8.7.2 Short-term receivables

Short-term receivables are financial assets measured at amortised cost. This asset class includes receivables from clients, receivables from related entities other than consolidated entities, receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses on account of concluded transactions and all or part of receivables on account of other titles not carried as financial assets, which fall due within 12 months from the end of the reporting period.
Receivables are initially recognised in accordance with IFRS 15 and measured as at the end of the reporting period at amortised cost. The carrying amount of receivables is revised based on the expected credit losses model. As of January 1st 2018, allowance for expected credit losses is recognised at the time of initial recognition of receivables. As permitted by the standard, a simplified approach is applied in the Group's financial statements to trade receivables that do not contain a significant financing component and to lease receivables, with the impairment loss measured at an amount equal to lifetime expected credit losses.
The Group applied a portfolio approach to recognition of impairment losses, with impairment losses ranging from 0.02% for non-delinquent receivables to 73.1% for receivables overdue more than one year. If there are indications that a credit loss may have occurred, the Group may recognise impairment losses for individual assets. Changes in allowances for expected credit losses are recognised in profit or loss.
Credit risk related to security deposits held at banks, receivables on account of stock-exchange transactions, deposits held at clearing houses and public receivables is assessed as low and the effect of the credit loss allowance on the consolidated financial statements has been disregarded.

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

8.7.3. Long-term receivables

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

8.7.4. Loans

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

The Group does not recognise impairment losses on loans due to their insignificant amount and the low risk of default as these are loans advanced mainly to employees and associates, or possibly to other entities.

8.8. Impairment losses

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

The following may indicate possible impairment of an asset:

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

8.9. Cash and cash equivalents

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

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

8.10. Equity

Equity is recognised in the accounting books broken down into its individual components and in accordance with the rules set forth in the applicable laws and in the Company's Articles of Association. Share capital is recognised in the amount specified in the Company's Articles of Association and in the relevant entry in the National Court Register. Other components of equity include statutory reserve funds, revaluation capital reserve and other capital reserves.
Statutory reserve funds comprise share premium, that is the amount of issue proceeds in excess of the par value of the issued shares, less share issue costs.
Other capital reserves include revaluation capital reserve and other capital reserves related to the implementation of incentive schemes and dilution of shares.

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

8.11. Liabilities

8.11.1. Current liabilities

Current liabilities are liabilities which are payable within 12 months from the end of the reporting period. Liabilities are measured at amortised cost.
Current liabilities include all liabilities to customers, liabilities to non-consolidated related entities, liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses under executed transactions, liabilities to the Central Securities Depository of Poland (KDPW) and exchange clearing houses, and liabilities to entities operating regulated securities markets, as well as all other liabilities not classified as lease liabilities, non-current liabilities, accrued expenses and deferred income or provisions for liabilities.
Current liabilities include overdraft facilities; the method of measuring such liabilities are described in 'Financial liabilities measured at amortised cost' above.

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

8.11.2. Non-current liabilities

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

8.12. Provisions, accrued expenses and deferred income

8.12.1 Accrued expenses and deferred income

Accrued expenses and deferred income 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 accrued expenses 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 accrued expenses and deferred income include in particular: settlements relating to employee holidays or bonuses, as well as costs incurred but not invoiced or settled as at the reporting date.

8.12.2. Provisions

Provisions are recognised if the Group has a legal or constructive obligation resulting from a past event, the amount of such obligation can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the Group anticipates that the costs for which provisions have been recognised will be recovered, e.g. under an insurance agreement, the recovery of such funds is recognised as a separate asset, but only when is practically certain to occur. The cost related to a given provision is disclosed in the consolidated statement of comprehensive income after reduction by the amount of any recoveries.

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

8.13. Accrual basis of accounting and matching principle

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

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

8.14. Revenue from core activities

Under IFRS 15 *Revenue from Contracts with Customers*, revenue is recognised in the amount equal to the transaction price determined as consideration for transferring promised goods or services to a customer when control over the goods or services is transferred to the customer, net of amounts collected on behalf of third parties. Revenue comprises amounts received and receivable net of VAT. Revenue from contracts with customers is recognised at a point in time or over time, based on the measured progress towards complete satisfaction of a performance obligation.
The method of recognising revenue in the Group's consolidated financial statements, including both amount and time of recognition, is defined under the following five-step model:

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

If the consideration defined in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the promised goods or services to the customer. The Group estimates the amount of variable consideration by applying the most likely amount method, which is the single most likely amount from the range of possible amounts of consideration.

The Group provides intermediation services in financial instrument trading, services consisting in the offering of financial instruments, as well as fund management and general advisory services. Revenue from intermediation in financial instrument trading, offering financial instruments and fund management is recognised on a one-off basis upon the Group's satisfaction of the performance obligation.
Revenue from transactions in securities is derived from brokerage activities of IPOPEMA Securities, which acts as an intermediary in transactions executed on the equity market of the Warsaw Stock Exchange and foreign exchanges, as well as on the bond market. Revenue from transactions in securities depends on the trading volume and is recognised with each executed transaction. If a service consists of an indeterminable number of activities performed over a specified period of time, then due to practical reasons revenue is recognised using the straight-line method (evenly) over the course of that period.
Revenue from advisory services provided by the Group companies is measured based on the progress towards complete satisfaction of a performance obligation and recognised over time based on the percentage of completion.

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

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

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

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

8.16. Finance income and costs

The Group's finance income includes interest on deposits, interest on loans, interest on leases, other interest and foreign-exchange gains. Interest income is recognised in the consolidated statement of comprehensive income using the effective interest rate method.
The Group's finance costs include in particular borrowing costs, interest on borrowings, interest on leases, other interest, and foreign exchange and finance losses.
Foreign-exchange gains/losses on the collection or payment, as appropriate, and balance-sheet measurement of trade receivables and payables are posted to finance income or costs.
Borrowing costs are measured at amortised cost. Borrowing costs are expensed in the period in which they are incurred, except to the extent that they are capitalised.

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

8.17. Income tax

8.17.1. Tax

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

8.17.2. Deferred income tax

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

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

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

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

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

9. Earnings per share

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

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

	Dec 31 2020	Dec 31 2019
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	0.99	0.10
- diluted	0.99	0.10

10. Seasonality of operations

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

11. Operating segments

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

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

2020	**Continuing operations** Brokerage and related services	**Continuing operations** Investment fund and portfolio management	**Continuing operations** Advisory services	**Continuing operations Total**	**Discontinued operations**	**Total operations**
Revenue						
Segment's total revenue, including:	59,296	172,675	28,057	260,028	-	260,028
- to clients for each of whom the value of transactions in the period exceeds 10% of revenue, including:	6	54,000	-	54,006	-	54,006
(i) Client 1	6	54,000	-	54,006	-	54,006
Intersegment sales	- 1,682	-	-	- 1,682	-	- 1,682
Consolidation eliminations	- 354	-	-	- 354	-	- 354
Sales to external clients	**57,260**	**172,675**	**28,057**	**257,992**	-	**257,992**
Segment's costs						
Segment's costs – purchases from external suppliers	- 44,594	- 149,979	- 25,967	- 220,540	-	- 220,540
Segment's costs – intersegment purchases	-	1,682	-	1,682	-	1,682
Consolidation eliminations	354	-	-	354	-	354
Segment's total costs, including:	**- 44,240**	**- 148,297**	**- 25,967**	**- 218,504**	-	**- 218,504**
Depreciation and amortisation	- 2,681	- 2,100	- 531	- 5,312	-	- 5,312
Segment's profit/(loss) on core activities	**13,020**	**24,378**	**2,090**	**39,488**	-	**39,488**
Unallocated costs	-	-	-	-	-	-
Profit/(loss) from continuing operations before tax and finance costs	13,020	24,378	2,090	39,488	-	39,488
Interest income	106	30	136	272	-	272
Interest expense	- 968	- 184	- 141	- 1,293	-	- 1,293
Other net finance income/expenses	908	63	96	1,067	-	1,067
Other income/expenses	5	- 326	- 956	-1,277	-	- 1,277
Consolidation eliminations	- 380	22	-	- 358	-	- 358
Profit/(loss) before tax and non-controlling interests	**12,691**	**23,983**	**1,225**	**37,899**	-	**37,899**
Income tax	2,939	4,412	343	7,694	-	7,694
IFRS adjustments	-	4	-	4	-	4
Total corporate income tax	2,939	4,416	343	7,698	-	7,698
Net profit/(loss) for the financial year	**9,752**	**19,567**	**882**	**30,201**	-	**30,201**

Assets and liabilities as at Dec 31 2020						
Segment's assets	488,822	81,848	18,403	589,073	-	589,073
Other assets not allocated to segments	-	-	-	-	-	-
Total assets	**488,822**	**81,848**	**18,403**	**589,073**	**-**	**589,073**
Segment's liabilities	421,807	21,529	8,243	451,579	-	451,579
Accrued expenses and deferred income	8,267	14,977	290	23,534	-	23,534
Segment's net profit/(loss)	9,752	19,567	882	30,201	-	30,201
Equity (net of profit/loss for current period)	45,416	28,638	5,261	79,315	-	79,315
Non-controlling interests	51	-	4,393	4,444	-	4,444
Total equity and liabilities	**485,293**	**84,711**	**19,069**	**589,073**	**-**	**589,073**
Other segment data						
Capital expenditure, including:	776	1,588	118	2,482	-	2,482
Property, plant and equipment	360	1,130	79	1,569	-	1,569
Intangible assets	416	458	39	913	-	913
Depreciation of property, plant and equipment	522	667	104	1,293	-	1,293
Amortisation of intangible assets	449	25	18	492	-	492
Depreciation of right-of-use assets	1,710	1,408	409	3,527	-	3,527
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 2020 did not exceed 1.2% (PLN 3,144 thousand) of total revenue from core operations. The Group's property, plant, equipment and intangible assets are located in Poland.

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

Net profit/(loss) for the financial year	**- 333**	**3,286**	**581**	**3,534**	**-**	**3,534**
Assets and liabilities as at Dec 31 2019						
Segment's assets	203,584	48,138	19,478	271,200	-	271,200
Other assets not allocated to segments	-	-	-	-	-	-
Total assets	**203,584**	**48,138**	**19,478**	**271,200**	**-**	**271,200**
Segment's liabilities	153,614	14,540	10,460	178,614	-	178,614
Accrued expenses and deferred income	2,075	6,757	10	8,842	-	8,842
Segment's net profit/(loss)	- 333	3,286	581	3,534	-	3,534
Equity (net of profit/loss for current period)	46,000	25,074	4,946	76,020	-	76,020
Non-controlling interests	63	-	4,127	4,190	-	4,190
Total equity and liabilities	**201,419**	**49,657**	**20,124**	**271,200**	**-**	**271,200**
Other segment data for 2019						
Capital expenditure, including:	323	302	187	812	-	812
Property, plant and equipment	214	302	161	677	-	677
Intangible assets	109	-	26	135	-	135
Depreciation of property, plant and equipment	670	318	137	1,125	-	1,125
Amortisation of intangible assets	524	43	28	595	-	595
Depreciation of right-of-use assets	1,674	1,082	409	3,165	-	3,165
Impairment losses	-	-	-	-	-	-
Other	-	-	-	-	-	-

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

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

12.1. Cash and cash equivalents

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

	Dec 31 2020	Dec 31 2019
Cash in hand	1	3
Cash at banks	34,890	26,718
Other cash (short-term deposits)	278,304	35,976
Cash equivalents	7	16
Total cash	**313,202**	**62,713**
Including cash in hand and cash at banks attributed to discontinued operations	-	-

	Dec 31 2020	Dec 31 2019
Cash in PLN	287,534	49,938
Cash in EUR	8,532	7,737
Cash in USD	14,801	3,465
Cash in HUF	512	258
Cash in TRY	98	66
Cash in RON	17	19
Cash in other currencies	1,708	1,230
Total cash	**313,202**	**62,713**

	Dec 31 2020	Dec 31 2019
Cash and other assets	41,121	33,878
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	261,281	20,835
Cash in escrow account	10,800	8,000
Cash and other assets transferred from the settlement guarantee fund	-	-
Total cash	**313,202**	**62,713**

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

Clients' cash deposited in the parent's bank account, in the amount of PLN 261,281 thousand as at December 31st 2020 and PLN 20,835 thousand as at December 31st 2019, is also disclosed under other cash.

12.2. Receivables

Trade and other receivables	Dec 31 2020	Dec 31 2019
Short-term receivables	243,730	182,531
Long-term receivables		2,882
Long-term loans		322
Prepayments and accrued income	1,352	1,246
short-term	1,305	1,234
long-term	47	12
Trade and other receivables	**254,662**	**186,981**

	Short-term receivables	Dec 31 2020	Dec 31 2019
1.	From clients / trade receivables	124,758	60,612
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	88,059	33,751
	- transactions on the Warsaw Stock Exchange	69,128	32,331
	- transactions on the London Stock Exchange	-	282
	- transactions on the Istanbul Stock Exchange	-	1,091
	- executed on the Frankfurt Stock Exchange	9,332	32
	- transactions on the Toronto Stock Exchange	2,423	-
	- transactions on the New York Stock Exchange	7,176	15
d)	other	36,699	26,861
2.	From related entities	-	-
3.	From banks conducting brokerage activities, other brokerage houses and commodity brokerage houses*	53,053	94,861
a)	under transactions	40,150	66,096
	- transactions on the Warsaw Stock Exchange*	32,239	60,246
	- transactions on the New York Stock Exchange	7,911	2,940
	- transactions on the Zurich Stock Exchange	-	660
	- transactions on the Toronto Stock Exchange	-	1,036
	- executed on the Frankfurt Stock Exchange	-	952
	- executed on the Paris Stock Exchange	-	262
b)	other	12,903	28,765
4.	From the Central Securities Depository of Poland and exchange clearing houses	35,132	15,680
	- from the settlement guarantee fund	35,132	15,680
5.	From investment and pension fund companies and from investment and pension funds	28,112	8,594
6.	Taxes, subsidies and social security receivable	146	199
7.	Under litigation, not covered by recognised impairment losses on receivables	-	-
8.	Under framework securities lending and short sale agreements	-	1,195
9.	Other	2,529	1,390
	- loans	1,262	287
	- other	1,267	1,103
	Total short-term receivables	**243,730**	**182,531**

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

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

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

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

Gross short-term receivables by currency	Dec 31 2020	Dec 31 2019
a) in PLN	190,393	147,499
b) in other currencies (translated into PLN)	56,133	35,818
Total gross short-term receivables	**246,526**	**183,317**

12.2.1. Age of receivables

Short- and long-term receivables by maturity from reporting date	Dec 31 2020	Dec 31 2019
a) up to 1 month	234,886	168,200
b) over 1 month to 3 months		
c) over 3 months to 1 year	4,102	4,089
d) over 1 year to 5 years	9,323	2,882
e) over 5 years	-	-
f) past due	7,538	4,640
Gross total short- and long-term receivables	**255,849**	**186,199**
g) impairment losses on receivables (negative value)	- 2,796	- 786
Net total short- and long-term receivables	**253,053**	**185,413**

Gross past due receivables by period of delay	Dec 31 2020	Dec 31 2019
a) up to 1 month	2,198	1,994
b) over 1 month to 3 months		
c) over 3 months to 1 year	1,687	1,398
d) over 1 year to 5 years	2,965	654
e) over 5 years	-	-
Total gross receivables	**7,538**	**4,640**
f) impairment losses on receivables (negative value)	- 2,796	- 786
Total net receivables	**4,742**	**3,854**

12.3. Short-term prepayments and accrued income

Short-term prepayments	Dec 31 2020	Dec 31 2019
cost of ICT and information services	280	449
cost of office space lease	373	215
other	652	570
Total prepayments and accrued income	**1,305**	**1,234**

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

	Dec 31 2020	Dec 31 2019
- shares	120	82
- derivative instruments	-	226
Financial assets measured at fair value through profit or loss, total	**120**	**308**

Shares comprise solely shares listed on the Warsaw Stock Exchange. Financial assets are measured at fair value by reference to their market value as at the reporting date. For the purpose of the measurement, the Company takes into account closing prices quoted by the WSE and the BSE on the last business day of a financial year. Movements in the carrying amount of those financial instruments are recognised as income or expenses from financial assets measured at fair value through profit or loss. As at the reporting date, the Company held 1,295 shares with a total carrying amount of PLN 120 thousand. All the shares are traded on the Warsaw Stock Exchange. As at December 31st 2019, the Company held 211 shares with a total carrying amount of PLN 82 thousand.

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

12.5. Equity instruments measured through other comprehensive income

As at December 31st 2020, the carrying amount of equity instruments through other comprehensive income held by the Group was PLN 3,259 thousand, compared with PLN 4,972 thousand as at December 31st 2019. This item includes investment certificates and fund shares with a total carrying amount of PLN 3,180 thousand (December 31st 2019: PLN 4,958 thousand).

12.6. Property, plant and equipment

As at December 31st 2020

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**	**8,465**	**450**	**1,791**	**150**	**11,736**
b) increase, including:	**-**	**-**	**1,084**	**1,044**	**123**	**1,490**	**3,741**
- purchases and lease returns	-	-	356	517	-	-	873
- transfer from investments	-	-	728	527	123	1,490	2,868
c) decrease	**-**	**-**	**10**	**518**	**-**	**1,528**	**2,056**
- liquidation	-	-	10	152	-	-	162
- reclassification to another category	-	-	-	366	-	1,528	1,894
d) gross value of property, plant and equipment at end of period	**-**	**880**	**9,539**	**976**	**1,914**	**112**	**13,421**
e) accumulated depreciation at beginning of period	**-**	**615**	**7,655**	**166**	**1,519**	**-**	**9,955**
f) depreciation for period, including:	**-**	**67**	**741**	**163**	**93**	**-**	**1,064**
- annual depreciation charge		67	751	382	93	-	1,293
- liquidation	-	-	- 10	- 219	-	-	- 229
g) accumulated depreciation at end of period	**-**	**682**	**8,396**	**329**	**1,612**	**-**	**11,019**
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	**-**	**265**	**810**	**284**	**272**	**150**	**1,781**
k) net value of property, plant and equipment at end of period	**-**	**198**	**1,143**	**647**	**302**	**112**	**2,402**

As at December 31st 2019

MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT	Land	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Property, plant and equipment under construction	TOTAL
a) gross value of property, plant and equipment at beginning of period	**-**	**880**	**8,039**	**932**	**1,769**	**-**	**11,620**
b) increase, including:	**-**	**-**	**429**	**132**	**22**	**515**	**1,098**
- purchases and lease returns	-	-	306	55	8	515	884
- transfer from investments	-	-	123	77	14	-	214
c) decrease	**-**	**-**	**3**	**614**	**-**	**365**	**982**
- liquidation	-	-	3	156	-	-	159
- reclassification to another category	-	-	-	458	-	365	823
d) gross value of property, plant and equipment at end of period	**-**	**880**	**8,465**	**450**	**1,791**	**150**	**11,736**
e) accumulated depreciation at beginning of period	**-**	**548**	**6,891**	**353**	**1,440**	**-**	**9,232**
f) depreciation for period, including:	**-**	**67**	**764**	**- 187**	**79**	**-**	**723**

- annual depreciation charge		67	767	212	79	-	1,125
- liquidation	-	-	- 3	- 399	-	-	- 402
g) accumulated depreciation at end of period	**-**	**615**	**7,655**	**166**	**1,519**	**-**	**9,955**
h) impairment losses at beginning of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
i) impairment losses at end of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
j) net value of property, plant and equipment at beginning of period	**-**	**332**	**1,148**	**579**	**329**	**-**	**2,388**
k) net value of property, plant and equipment at end of period	**-**	**265**	**810**	**284**	**272**	**150**	**1,781**

12.6.1. Impairment losses

In 2020, no impairment losses were recognised with respect to property, plant and equipment.

12.7. Intangible assets

As at December 31st 2020

CHANGES IN INTANGIBLE ASSETS (BY TYPE)	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**	**-**	**293**	**10,064**	**-**	**-**	**10,797**
b) increase, including:	**-**	**-**	**752**	**276**	**-**	**-**	**1,028**
- purchase / transfer from investments	-	-	752	276	-	-	1,028
c) decrease (including)	**-**	**-**	**115**	**232**	**-**	**-**	**347**
- liquidation	-	-	115	232	-	-	347
d) gross value of intangible assets at end of period	**440**	**-**	**930**	**10,108**	**-**	**-**	**11,478**
e) accumulated amortisation at beginning of period	**440**	**-**	**195**	**8,970**	**-**	**-**	**9,605**
f) amortisation for period:	**-**	**-**	**19**	**277**	**-**	**-**	**296**
- annual amortisation charge	-	-	19	473	-	-	492
- liquidation	-	-	-	- 196	-	-	- 196
g) accumulated amortisation at end of period	**440**	**-**	**214**	**9,247**	**-**	**-**	**9,901**
h) impairment losses at beginning of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
i) impairment losses at end of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
j) net value of intangible assets at beginning of period	**-**	**-**	**98**	**1,094**	**-**	**-**	**1,192**
k) net value of intangible assets at end of period	**-**	**-**	**716**	**861**			**1,577**

As at December 31st 2019

CHANGES IN INTANGIBLE ASSETS (BY TYPE)	Cost of completed development work	Goodwill	Acquired permits, patents, licences and similar assets	Software	CO_2 emission allowances	Other intangible assets	TOTAL
a) gross value of intangible assets at beginning of period	**440**	**-**	**211**	**10,011**	**-**	**-**	**10,662**
b) increase, including:	**-**	**-**	**82**	**53**	**-**	**-**	**135**

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- purchase / transfer from investments	-	-	82	53	-	-	135
c) decrease (including)	-	-	-	-	-	-	-
- liquidation	-	-	-	-	-	-	-
d) gross value of intangible assets at end of period	**440**	-	**293**	**10,064**	-	-	**10,797**
e) accumulated amortisation at beginning of period	**440**	-	**167**	**8,403**	-	-	**9,010**
f) amortisation for period:	-	-	**28**	**567**	-	-	**595**
- annual amortisation charge	-	-	28	567	-	-	595
g) accumulated amortisation at end of period	**440**	-	**195**	**8,970**	-	-	**9,605**
h) impairment losses at beginning of period	-	-	-	-	-	-	-
i) impairment losses at end of period	-	-	-	-	-	-	-
j) net value of intangible assets at beginning of period	-	-	**44**	**1,608**	-	-	**1,652**
k) net value of intangible assets at end of period	-	-	**98**	**1,094**	-	-	**1,192**

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

12.7.1. Purchase and sale of intangible assets

In 2020, the total amount of purchases of intangible assets by the Group was PLN 913 thousand (2019: PLN 135 thousand). In 2020 and 2019, the Group did not sell any intangible assets.

12.7.2. Impairment losses

The Group did not identify any impairment of its assets in 2020 or 2019.

12.7.3. Amortisation of intangible assets

Amortisation of intangible assets is recognised in cost of core activities under 'Amortisation'. Amortisation was PLN 492 thousand in 2020 (2019: PLN 595 thousand).

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

13.1. Share capital

As at December 31st 2020 and December 31st 2019, the parent's registered share capital was PLN 2,993,783.60 and comprised 29,937,836 shares.
In 2020 and 2019, there were no changes in the parent's share capital. As at December 31st 2020 and December 31st 2019, the share capital was PLN 2,994 thousand and comprised:
- 7,000,000 Series A ordinary bearer shares,
- 21,571,410 Series B ordinary bearer shares, and
- 1,366,426 Series C ordinary bearer shares.

Share capital (structure) – as at the date of these consolidated financial statements

Shareholder	Number of shares and voting rights	Value of shares subscribed for (PLN)
OFE PZU Złota Jesień*	2,993,684	299,368
IPOPEMA PRE-IPO FIZAN[1]	2,990,789	299,079
IPOPEMA 10 FIZAN[2]	2,851,420	285,142
Value FIZ*	2,750,933	275,093
QUERCUS Funds[3]*	2,256,200	225,620
Katarzyna Lewandowska	2,136,749	213,675
Jarosław Wikaliński[4]	1,499,900	149,990
Shareholders holding over 5% of the share capital – total	**17,479,675**	**1,747,967**

** 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.
[2] The only investor in the fund is Stanisław Waczkowski, Vice President of the Company's Management Board.
[3] QUERCUS Parasolowy SFIO and QUERCUS Multilstrategy FIZ.
[4] Pursuant to an oral agreement on unanimous voting at the General Meeting, Jarosław Wikaliński and Małgorzata Wikalińska hold a total of 2,990,789 voting rights, or 9.98% of total voting rights at the General Meeting.

Share capital structure as at December 31st 2020

Shareholder	Number of shares and voting rights	Value of shares subscribed for (PLN)
OFE PZU Złota Jesień*	2,993,684	299,368
IPOPEMA PRE-IPO FIZAN[1]	2,990,789	299,079
IPOPEMA 10 FIZAN[2]	2,851,420	285,142
Value FIZ*	2,750,933	275,093
Katarzyna Lewandowska	2,136,749	213,675
Swiss Capital S.A.	1,539,039	153,904
Jarosław Wikaliński[3]	1,499,900	149,990
Shareholders holding over 5% of the share capital – total	**16,762,514**	**1,676,251**

** 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] The only investor in the fund is Stanisław Waczkowski, Vice President of the Company's Management Board.
[3] Pursuant to an oral agreement on unanimous voting at the General Meeting, Jarosław Wikaliński and Małgorzata Wikalińska hold a total of 2,990,798 voting rights, or 9.98% of total voting rights at the General Meeting.

Share capital structure as at December 31st 2019

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

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

Par value of shares

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

Shareholder rights

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

13.2. Other components of equity

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 2020 and December 31st 2019.

Revaluation capital reserve

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

	Dec 31 2020	Dec 31 2019
Revaluation capital reserve at beginning of reporting period	438	72
Adjustment of gain/(loss) on financial instruments	64	163
Amount recognised in equity in reporting period	280	251
Deferred income tax	- 48	- 48
Accumulated profit/(loss) on equity investments in the year ended	**734**	**438**

Other components of equity

As at December 31st 2020 and December 31st 2019, 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 2020 and December 31st 2019, this component of equity totalled PLN 998 thousand.

Notwithstanding the above, brokerage houses and investment fund management companies as supervised institutions are subject to certain regulatory requirements concerning the supervised capital amount (as described in Note 30), as well as the profit distribution guidelines issued annually by the Polish Financial Supervision Authority. These factors may significantly reduce the dividend capacity, resulting in the need to retain profit, in full or in part, and to allocate it to statutory reserve funds.

Retained earnings	Dec 31 2020	Dec 31 2019
Retained earnings/deficit	62,022	59,023
Net profit/loss for period	29,677	3,116
Total retained earnings	**91,699**	**62,139**

Dividend

Dividend for a given year which has been approved by the General Meeting but has not been paid as at the end of the reporting period is disclosed as dividend payable in 'Other liabilities'. As at December 31st 2020, IPOPEMA Business Consulting disclosed a liability of PLN 0.4m representing dividend payable to non-controlling interests.

13.3. Non-controlling interests

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

- in IBC as at December 31st 2020 was PLN 4,841 thousand (December 31st 2019: PLN 4,393 thousand);
- in IFA SK as at December 31st 2020 was PLN 127 thousand (December 31st 2019: PLN 215 thousand).

13.4. Capital adequacy requirements

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

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

Non-compliance with capital adequacy requirements

In the reporting period, the Group did not record any instances of non-compliance with the capital adequacy requirements on a consolidated basis.

In the reporting period, the Company identified exposures which resulted in exceeding the large exposures limit on a separate and consolidated basis. Such exposures are listed in the table below.

Period	Days with the limit exceeded - consolidated basis	Entity	Reasons for exceeding the limit
Jun 2020	1	Alior Bank S.A.	client payments for new shares offered to the public through the Company
Sep 2020	1	DNB Bank Polska S.A.	client payments to individual accounts maintained by the Company
Oct 2020	5	DNB Bank Polska S.A.	client payments to individual accounts maintained by the Company

Key data is presented in the tables below.

Item	Data as at Dec 31 2020	Data as at Dec 31 2019	Average quarterly data Q1 2020	Average quarterly data Q2 2020	Average quarterly data Q3 2020	Average quarterly data Q4 2020
Own funds – (PLN '000)	**74,304**	**70,167**	**70,133**	**73,381**	**74,254**	**74,304**
Tier 1 Capital	74,304	70,167	70,133	73,381	74,254	74,304
Tier 1 Common Equity	74,304	70,167	70,133	73,381	74,254	74,304
Additional Tier 1 Capital	-	-	-	-	-	-
Tier 2 Capital	-	-	-	-	-	-
Total risk exposure (PLN '000)	**372,087**	**250,862**	**258,163**	**275,417**	**298,403**	**368,946**
Risk-weighted exposure amounts for credit risk, counterparty credit risk, dilution risk and free deliveries	199,201	104,956	97,174	116,518	137,360	196,673
Total exposure to settlement/delivery risk	-	-	-	-	-	-
Total exposure to position, currency and commodity price risks	27,009	13,588	15,112	13,024	15,165	26,396
Total exposure to operational risk	145,875	132,309	145,875	145,875	145,875	145,875
Additional exposure to risk related to fixed indirect costs	-	-	-	-	-	-
Total exposure to risk related to credit valuation adjustment	2	9	2	-	3	2
Total exposure to risk related to large trading book exposures	-	-	-	-	-	-
Other exposures to risk	-	-	-	-	-	-
Tier 1 common equity ratio	19.97	27.97	27.17	26.64	24.88	20.14
Tier 1 capital surplus(+)/shortfall(–) (PLN '000)	57,560	58,880	58,516	60,988	60,826	57,701
Tier 1 capital ratio	19.97	27.97	27.17	26.64	24.88	20.14
Tier 1 capital surplus(+)/shortfall(-) (PLN '000)	51,979	55,117	54,643	56,856	56,350	52,167
Total capital adequacy ratio	19.97	27.97	27.17	26.64	24.88	20.14
Total capital surplus(+)/shortfall(-) (PLN '000)	44,537	50,100	49,480	51,348	50,382	44,788

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

14.1. Accrued expenses and deferred income

14.1.1. Changes in accrued expenses and deferred income

	2020	2019
As at beginning of reporting period	**8,842**	**9,992**
Recognised during the financial year	35,706	17,487
Used	21,002	18,534
Reversed	12	103
As at end of reporting period	**23,534**	**8,842**

14.1.2. Accrued expenses and deferred income at end of the reporting period

	Dec 31 2020	Dec 31 2019
Employee benefits*	20,360	5,402
Other	3,174	3,440
Total	**23,534**	**8,842**

** 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 accrued expenses and deferred income are subject to uncertainty. The vast majority of employee benefit obligations will be discharged within 12 months from the end of the reporting period. The liabilities relating to paid annual leaves are computed as at the end of the reporting period, but the timing of cash outflow under the liabilities is difficult to predict. The liability is realised upon termination of employment relationship with an employee. Other accruals are current liabilities, i.e. the cash outflow is expected to occur within several months from the end of the reporting period.

14.2. Provisions for litigation, fines and damages

For information on litigation, see Note 28.1.

14.3. Trade and other payables

	Dec 31 2020	Dec 31 2019
Current liabilities (excluding leases)	429,318	163,848
Non-current liabilities (excluding leases)	1,751	-
Trade and other payables	**431,069**	**163,848**

Current liabilities	**Dec 31 2020**	**Dec 31 2019**
To clients	317,207	105,099
To related entities	84	-
To banks conducting brokerage activities, other brokerage houses and commodity brokerage houses	85,501	43,763
a) under executed transactions*	85,407	43,727
b) other	94	36
To entities operating regulated securities markets and commodity exchanges	356	340
To the Central Securities Depository of Poland and exchange clearing houses	3,765	3,122
Borrowings	16,651	6,799
a) from related entities	-	-
b) other	16,651	6,799
Debt securities	1	1
Taxes, customs duties and social security payable	1,825	1,545
Salaries and wages	9	1
To investment and pension fund companies and to investment and pension funds	2,431	1,158
Under framework securities lending and short sale agreements	-	-
Other	1,488	2,020
a) dividend payable	400	1,000
b) other	1,088	1,020
- other liabilities	1,088	1,020
- financial liabilities at amortised cost	-	-
Total current liabilities	**429,318**	**163,848**

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

Terms and conditions of related-party transactions are presented in Note 23.1.
Liabilities do not bear interest, except for borrowings (see Note 14.3.2) and leases (see Note 25).

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

	Dec 31 2020	**Dec 31 2019**
Liabilities under executed stock-exchange transactions:	85,407	43,727
- transactions on the Warsaw Stock Exchange	66,719	42,308
- transactions on the Toronto Stock Exchange	2,422	-
- transactions on the Istanbul Stock Exchange	-	1,091
- transactions on the London Stock Exchange	-	281
- transactions on the Paris Stock Exchange	-	19
- transactions on the Frankfurt Stock Exchange	9,102	13
- transactions on the New York Stock Exchange	7,164	15
Liabilities under transactions executed on over-the-counter market	94	36
Liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses	**85,501**	**43,763**

Gross current liabilities (by currency)	**Dec 31 2020**	**Dec 31 2019**
a) in PLN	380,002	132,358
b) in other currencies (translated into PLN)	49,316	31,490
Total current liabilities	**429,318**	**163,848**

14.3.1. Age of payables

Current and non-current liabilities, lease liabilities by maturity from reporting date	Dec 31 2020	Dec 31 2019
a) up to 1 month	435,585	167,245
b) over 1 month to 3 months	-	61
c) over 3 months to 1 year	-	330
d) over 1 year to 5 years	8,594	9,850
e) over 5 years	-	-
f) past due	552	382
Total liabilities	**444,731**	**177,868**

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

14.3.2. Interest-bearing borrowings

Current and non-current liabilities by maturity from reporting date	Dec 31 2020	Dec 31 2019
a) credit facility	16,651	6,799
- outstanding amount	16,651	6,799
Current liabilities under borrowings	**16,651**	**6,799**

As at December 31st 2020, the Group's liabilities under bank borrowings related to its brokerage business amounted to PLN 16,651 thousand (December 31st 2019: PLN 6,799 thousand). The liabilities arose under two overdraft facility agreements executed with Alior Bank S.A. on July 22nd 2009. The facilities, renewed each year, are used to finance payments due to the Central Securities Depository of Poland/KDPW CCP (the clearing agent) and related to the brokerage activities. The current facilities expire on November 15th 2021:

i. Revolving credit facility of up to PLN 8m. The purpose of the facility is to finance payment of the Company's liabilities to the Central Securities Depository of Poland/KDPW CCP in respect of the clearing and settlement of transactions concluded by the Company on the regulated market as part of its brokerage business. The facility is secured with a blank promissory note with a promissory note declaration, a power of attorney over accounts held with the bank, a declaration of voluntary submission to enforcement with respect to cash payments in favour of the bank with the bank, and a PLN 4m security deposit placed in a term deposit account. The same collateral also secures the credit facility specified in item 2.

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

Interest on borrowings pertains only to short-term facilities. Unrealised interest on bank borrowings due for December 2020 amounted to PLN 13 thousand and was paid in 2021. Interest on bank borrowings due for December 2019 was realised and paid in 2019.

14.4. Subsidies

On June 3rd 2020, IBC received PLN 1,751 thousand in subsidy under a governmental programme run by the Polish Development Fund ("PDF") to provide financial support to micro, small and medium-sized enterprises in order to mitigate the impact of the COVID-19 epidemic in Poland (the "Programme"). Under the Programme, up to 75% of the subsidy may be eligible for forgiveness, subject to fulfilment of relevant conditions. PDF may, however, request that the funding be repaid in full if: (i) the beneficiary ceases to carry on, or suspends, business activities, (ii) proceedings to liquidate the beneficiary have been instigated (if applicable), or (iii) insolvency or restructuring proceedings have been instigated with respect to the beneficiary, in any case, within 12 months of the grant date.

The repayable portion of the subsidy will be repaid in 24 equal monthly instalments starting from the 13th calendar month following the disbursement date. The IBC may repay the subsidy early, subject to fulfilment of relevant obligations under the subsidy agreement.

14.5. Bonds

In 2020, the Group issued four registered bonds with a total nominal value of PLN 0.8 thousand (2019: PLN 1.6 thousand), maturing in 2021. 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 2020, the Company redeemed PLN 0.8 thousand worth of bonds (2019: PLN 3.6 thousand).

15. Notes to the consolidated statement of comprehensive income

15.1. Revenue from core activities

Revenue from core activities	2020	2019
Revenue from brokerage activities, including:	57,260	36,379
- Revenue from trading in securities	33,107	22,430
- Revenue from investment banking services	21,184	11,678
- Other revenue from core activities	2,969	2,271
Revenue from investment fund and portfolio management services	172,675	74,432
Revenue from advisory services	28,057	29,181
Total revenue from core activities	**257,992**	**139,992**

15.2. Operating expenses

Cost of core activities	2020	2019
Fees payable to regulated markets, commodity exchanges, the Central Securities Depository of Poland and exchange clearing houses	4,218	4,529
Payments to CCP	340	248
Trade organisation membership fees	46	46
Salaries and wages	69,999	47,386
Social security	4,607	3,104
Employee benefits	766	648
Raw material and consumables used	638	566
Depreciation and amortisation	5,312	4,885
Taxes and other public charges	5,170	1,344
Other costs, including:	127,408	71,943
- fund management and distribution costs	97,970	47,495
- transaction costs other than cost of clearance through clearing houses or stock exchanges	5,286	2,675
- ICT and information services	6,196	4,989
- marketing, representation and advertising	1,791	1,508
- software purchases (for recharge)	4,582	6,185
- other services	11,583	9,091
Total cost of core activities	**218,504**	**134,699**

Employee benefits expense

Employee benefits expense (itemised)	2020	2019
Salaries and wages	69,999	47,386
Social security and other benefits	4,607	3,104
Costs of future benefits related to retirement severance payments, length-of-service awards and other similar employee benefits	-	-
Other employee benefits expense	766	648
Total employee benefits expense	**75,372**	**51,138**

15.3. Finance income and costs

Finance income	2020	2019
1. Interest on loans	28	12
2. Interest on deposits	110	428
a) from related entities	-	-
b) other	110	428
3. Interest on leases	131	183
4. Other interest	2	26
5. Foreign exchange gains	1,003	13
a) realised	282	13
b) unrealised	721	-
6. Other	455	341
Total finance income	**1,729**	**1,003**

Finance costs	2020	2019
1. Interest on borrowings, including:	765	979
a) to related entities	-	-
b) other	765	979
2. Interest on leases	492	591
3. Other interest	37	8
4. Foreign exchange losses	22	179
a) realised	22	34
b) unrealised	-	145
5. Other	75	1,343
Total finance costs	**1,391**	**3,100**

In 2020 and 2019, the capitalisation rate was 0%. The Group did not capitalise borrowing costs.

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

	2020	2019
1. Dividends and other profit distributions	-	52
2. Revaluation adjustments	- 328	341
3. Gain/(loss) on sale/redemption	- 322	- 694
Gain/(loss) on financial assets measured at fair value through profit or loss	**- 650**	**- 301**

15.5. Operating income and expenses

Other income	2020	2019
a) gain on disposal of property, plant and equipment and intangible assets	3	1
b) reversed accrued expenses and deferred income	2	103
c) reversed impairment losses on receivables	314	1,545
d) income from re-invoicing	909	573
e) other	794	824
Total other income	**2,022**	**3,046**

Other expenses	2020	2019
a) loss on disposal of property, plant and equipment and intangible assets	-	-
b) impairment losses on property, plant and equipment and intangible assets	-	-
c) recognition of accrued expenses and deferred income	-	-
c) impairment losses on receivables	1,156	660
d) other, including:	2,143	965
- membership fees	35	40
- re-charged costs	931	573
- other	1,177	352
Total other expenses	**3,299**	**1,625**

16. Dividends paid and proposed

By the date of these consolidated financial statements, no final decision had been made by the parent's Management Board concerning recommended distribution of the 2020 profit. Any decisions in this respect will be made at a later date, however not later than by the date of convening of the Annual General Meeting, which pursuant to the Commercial Companies Code must be held within six months from the end of a given financial year.
On March 16th 2021, the General Meeting of IFA SK resolved to distribute a part of its profit for 2019 of PLN 254 thousand. On February 7th 2020, the General Meeting of IFA SK resolved to distribute profit for 2018 of PLN 381 thousand. The Company received the full amount of its share in the profit of IFA SK.

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

17. Income tax

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

	2020	2019
Profit before tax	**37,899**	**4,315**
Tax calculated at 19% rate	**7,201**	**820**
Taxable income/deductible expenses for which no deferred tax assets were recognised – total consolidation adjustments	35	657
Tax losses for which no deferred tax assets were recognised – other	- 295	- 80
Tax loss carryforwards for which no deferred tax assets were recognised	-	-
Use of unrecognised tax losses	-	-
Non-deductible expenses	2,055	748
Deductible/taxable temporary differences for which no deferred tax assets/liabilities were recognised	-	-
Non-taxable income	800	- 1,525
Tax base for current and deferred income tax	**40,494**	**4,115**
Reductions, exemptions	-	-
Income tax expense	**7,698**	**782**

17.1. 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 there is no possibility of referring 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.

17.2. Deferred income tax

Temporary differences related to deferred tax assets as at December 31st 2020 and December 31st 2019 were recognised with respect to the following items:

Deferred tax assets	Dec 31 2020	Dec 31 2019
Equity instruments through other comprehensive income and financial assets measured at fair value through profit or loss	19	-
Property, plant and equipment	6	8
Short-term receivables	445	478
Prepayments and accrued income	5,001	1,961
Tax loss brought forward	914	2,933
Other	17	-
Total deferred tax asset	**6,402**	**5,380**

Deferred tax liabilities	Dec 31 2020	Dec 31 2019
Equity instruments measured through other comprehensive income	106	96
Property, plant and equipment	132	218
Short-term receivables	301	33
Prepayments and accrued income	1,775	1,532
Other	-	28
Total deferred tax liabilities	**2,314**	**1,907**
Net deferred tax assets	**4,088**	**3,473**

Temporary differences related to deferred tax liabilities as at December 31st 2020 and December 31st 2019 were recognised with respect to the following items:

Deferred tax assets	Dec 31 2020	Dec 31 2019
Short-term receivables	-	-
Other	101	52
Total deferred tax asset	**101**	**52**

Deferred tax liabilities	Dec 31 2020	Dec 31 2019
Short-term receivables	730	506
Other	14	-
Total deferred tax liabilities	**744**	**506**
Net deferred tax liabilities	**643**	**454**

18. Additional information of financial instruments

18.1. Financial assets and liabilities

As at December 31st 2020 and December 31st 2019, the carrying amounts of financial assets and financial liabilities approximated their fair values.

Categories and amounts of financial instruments under IFRS 9 as at December 31st 2020

	Financial assets / liabilities at amortised cost	Financial assets obligatorily measured at fair value through profit or loss	Equity instruments classified upon initial recognition as measured at fair value through other comprehensive income
Financial assets:	**566,472**	**120**	**3,259**
- cash and cash equivalents	313,202	-	-
- loans	1,479	-	-
- short- and long-term receivables	251,791	-	-
- shares in listed companies	-	120	-
- shares (unlisted)	-	-	70
- bonds (unlisted)	-	-	10
- investment fund units/investment certificates	-	-	3,179
Financial liabilities:	**427,979**	**101**	**-**
- overdraft facility	16,651	-	-
- subsidy	1,751	-	-
- derivative financial instruments	-	101	-
- leases	13,561	-	-
- current and non-current liabilities (other than credit facility)	412,667	-	-

Instrument category and item of the consolidated statement of financial position	carrying amount	fair value
Financial assets:	**569,851**	**569,851**
- cash and cash equivalents	313,202	313,202
- loans	1,479	1,479
- short- and long-term receivables	251,791	251,791
- shares in listed companies	120	120
- shares and bonds (unlisted)	80	80
- investment fund units/investment certificates	3,179	3,179
Financial liabilities at amortised cost:	**429,419**	**429,318**
- overdraft facility	16,651	16,651
- derivative financial instruments	101	-
- current liabilities (other than credit facility)	412,667	412,667

Categories and amounts of financial instruments under IFRS 9 as at December 31st 2019

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

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

The Group uses derivatives to mitigate the risk of exchange rate changes for currencies in which some of the Group's sale and purchase transactions are denominated. While the derivative instruments held by the Group hedge it against currency risk, they are not security within the meaning of IFRS 9. Therefore, they are recognised as financial assets measured at fair value through profit or loss. All derivatives are measured at fair value, determined based on market data.
Shares in non-consolidated subsidiaries (not listed companies) as well as fund shares and investment certificates are designated as measured at fair value through other comprehensive income because the objective is to obtain cash flows from the financial assets or cash flows from its sale. In 2020, net gain on these financial assets was PLN 279 thousand and was recognised in other comprehensive income.

Cash bears interest at fixed and variable interest rates. Both in 2020 and 2019, loss allowance for expected credit losses related to receivables, and are presented in Note 12.2.1. In 2020, interest income on loans, cash and receivables was PLN 271 thousand (including accrued interest not received at PLN 28 thousand); in 2019 the amount was PLN 649 thousand (including accrued interest not received PLN 9 thousand).

In 2020, expenses related to interest on bank borrowings amounted to PLN 765 thousand (including unrealised interest accrued of PLN 13 thousand) (2019: PLN 979 thousand – fully realised). Interest on borrowings pertains to short-term facilities.

18.2. Fair value of financial assets and liabilities

The table below presents financial instruments measured at fair value classified in the three-level hierarchy:
Level 1 – where fair value is measured based on quoted (unadjusted) prices for identical assets or liabilities in active markets,
Level 2 – where fair value is measured based on market inputs other than quoted market prices (e.g. estimated by direct or indirect reference to similar instruments in the market),

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

As at Dec 31 2020

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Derivative instruments	-	-	-	-
Financial assets measured at fair value other than derivatives	120	-	-	120
Total financial assets measured at fair value through profit or loss	**120**	**-**	**-**	**120**
Equity instruments measured through other comprehensive income				
Investment certificates and investment fund units	-	3,179	-	3,179
Total equity instruments measured through other comprehensive income	**-**	**3,179**	**-**	**3,179**
Financial liabilities measured at fair value through profit or loss				
Derivative instruments	-	101	-	101
Total financial liabilities measured at fair value through profit or loss	**-**	**101**	**-**	**101**

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

As at Dec 31 2019

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

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

19. Exclusions of companies from consolidation

In accordance with IAS 8.8, which permits departures from the IFRSs when the effect of such departure is immaterial, IFA and MUSCARI were not consolidated in 2020 and 2019.

PLN '000	IFA	MUSCARI
Total assets as at Dec 31 2020	5	342
% of parent's total assets	-	-
Revenue in Jan 1–Dec 31 2020	14	186
% share in parent's revenue	-	-
Net assets as at Dec 31 2020	- 3	- 465
Net profit/(loss) in Jan 1–Dec 31 2020	2	- 406

PLN '000	IFA	MUSCARI
Total assets as at Dec 31 2019	2	N/A
% of parent's total assets	-	N/A
Revenue in Jan 1–Dec 31 2019	14	N/A
% share in parent's revenue	-	N/A
Net assets as at Dec 31 2019	- 5	N/A
Net profit/(loss) in Jan 1–Dec 31 2019	-	N/A

20. Contingent liabilities and contingent assets

The Company issued promissory notes as security for a credit facility (see Note 14.3.2), and paid: (i) a deposit of PLN 1.5m as security for settlement of transactions on foreign stock exchanges; (ii) a deposit as security for the guarantee discussed in Note 14.3.2.

21. Guarantees

In January 2012, the Company received from PKO Bank Polski S.A. (formerly Nordea Bank Polska S.A.) a guarantee of up to EUR 268 thousand, secured by a security deposit with a current amount of PLN 1,791 thousand. Under an amendment agreement of 2020, the guarantee amount was increased to EUR 308 thousand. The guarantee, provided until April 16th 2023, secures liabilities related to the lease of office space.

22. Business combinations and acquisitions of non-controlling interests

22.1. Business combinations and acquisition of subsidiaries

On March 16th 2020, the Company acquired 100% of shares in Grupa Finanset Sp. z o.o (currently MUSCARI Capital Sp. z o.o.).

22.2. Disposal of subsidiaries

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

23. Related-party transactions

Related-party transactions – income and expenses

Related party	Revenue Jan 1–Dec 31 2020	Purchases Jan 1–Dec 31 2020	Revenue Jan 1–Dec 31 2019	Purchases Jan 1–Dec 31 2019
IFA	-	-	-	14
MUSCARI	4	181	-	-
Members of the Management and Supervisory Boards	24	40	-	1
Total	**28**	**221**	**-**	**15**

Related-party transactions – receivables and liabilities

Related party	Receivables Dec 31 2020	Receivables Dec 31 2019	Liabilities Dec 31 2020	Liabilities Dec 31 2019
IFA	-	-	-	1
MUSCARI	747	-	84	-
Members of the Management and Supervisory Boards	-	-	-	-
Total	**747**	**-**	**84**	**1**

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

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

23.1. Terms of related-party transactions

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

23.2. Loan advanced to members of the Management Board

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

23.3. Transactions involving members of the Management and Supervisory Boards

Some members of the Company's governing bodies executed (directly or through related parties) transactions in securities on the regulated market and outside the stock-exchange market, with Group companies acting as intermediaries (revenue from the transactions, of less than PLN 10 thousand, was insignificant).

Additionally, both in 2020 and 2019 these persons used fund management services. Total revenue generated by IPOPEMA TFI on that account was PLN 24 thousand in 2020 and PLN 3 thousand in 2019.

In 2020, the Company also used legal services provided by a Supervisory Board member, with a total cost of PLN 40 thousand in 2020 (PLN 1 thousand in 2019).

23.4. Transactions with non-consolidated subsidiaries

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

In 2017, IFA SK concluded a contract for the provision of management services with IFA. The total value of the Group's cost under that contract was PLN 14 thousand in 2020 and PLN 14 thousand in 2019.

Transactions with the subsidiary MUSCARI Capital Sp. z o.o.

In 2020, MUSCARI provided financial intermediation services to the Company. The cost of these services incurred by the Company in 2020 was PLN 0.2m. In 2020, the Company also advanced a loan of PLN 740 thousand to MUSCARI.

23.5. Remuneration of the Group's senior management staff

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

	Total remuneration at the IPOPEMA Securities Group 2020	**Total remuneration at the IPOPEMA Securities Group 2019**	Including in subsidiaries 2020	Including in subsidiaries 2019
Management Board	**4,911**	**1,955**	**1,937**	**564**
Jacek Lewandowski	868	543	309	141
Mirosław Borys	1,013	444	309	141
Mariusz Piskorski	1,414	444	660	141
Stanisław Waczkowski	1,616	524	659	141
Supervisory Board	**170**	**155**	**4**	**56**
Jacek Jonak	40	25	-	-
Janusz Diemko	32	20	-	-
Michał Dobak	32	20	-	-
Bogdan Kryca	30	14	-	-
Ewa Radkowska-Świętoń	28	-	-	-
Zbigniew Mrowiec	8	34	4	26
Piotr Szczepiórkowski	-	42	-	30

Benefits to the key management staff

In 2020 and 2019, 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 15 thousand as at December 31st 2020 and PLN 4 thousand as at December 31st 2019. The holiday benefits were not included in the table above.

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

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

24. Items of the consolidated statement of cash flows

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

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

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

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

Differences in changes in balance-sheet items

	Presentation in the consolidated statement of financial position **Dec 31 2020**	Presentation in the consolidated statement of financial position **Dec 31 2019**	Presentation in the consolidated statement of cash flows – change **2020**
Gross receivables	255,849	186,199	- 69,876
Net receivables	253,053	185,413	
Impairment losses on receivables	2,796	786	2,010
Prepayments and accrued income	1,352	1,246	
Accrued expenses and deferred income (net of deferred tax related to equity and provision for unpaid interest)	23,534	8,842	14,586
Total change in impairment losses and accruals and deferrals			**16,596**

The difference between the change in gross receivables disclosed in the statement of financial position and the amount disclosed in the statement of cash flows is attributable to the removal from gross receivables as at December 31st 2020 of interest receivable on security deposits, which were disclosed under investing activities.

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

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

25. Leases

The Group as a lessee

In 2020, the most significant lease contracts were leases of office space. The right to use the building for the term of the contract was classified by the Group as lease. The contract was originally executed for a period of five years, starting from 2013, with an option to extend its term for another two years. Pursuant to an annex to the contract, executed in January 2016, the lease was extended until January 2023.

In December 2020, companies of the Group signed an agreement containing a lease of IT equipment. The agreement was executed for a period of three years, with an option to extend its term for further periods.

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

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

Underlying asset classes	Carrying amount of the right-to-use asset as at Dec 31 2020	Cancellation of the right-to-use asset 2020
Buildings and premises	7,096	3,527
Plant and equipment	-	-
Vehicles	386	273
Other tangible assets	2,246	64
Total	**9,728**	**3,864**

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

Minimum lease payments are presented in the table below.

Lease liabilities	Dec 31 2020	Dec 31 2020	Dec 31 2019	Dec 31 2019
Net carrying amount		13,561		14,020
Present value of minimum lease payments	**Lease payments**	**Finance charge**	**Lease payments**	**Finance charge**
Within 1 year	6,718	292	4,170	358
In 1 to 5 years	6,843	126	9,850	291
Over 5 years	-	-	-	-
Depreciation expense recognised in period ended		**3,864**		**3,265**

Contingent lease payments that depend on factors other than an index or rate are not recognised in lease liabilities. They were as follows:

	2020	2019
Short-term bank borrowings	-	-
Leases of low-value assets	-	-
Variable lease payments not included in lease liabilities	- 279 *	354
Total costs	**- 279**	**354**

* The Group applied the amendments to IFRS 16 *Leases – Covid-19-Related Rent Concessions.* The Group companies received rent reductions of PLN 750 thousand, their effect having been recognised on a one-off basis in profit or loss for the period concerned, i.e. the second half of 2020.

Interest expense related to leases is presented in Note 15.3.

Total lease costs – cash flows	2020	2019
Payment of lease liabilities	4,631	3,498
Payment of interest	103	150
Short-term leases*	237	-
Leases of low-value assets	-	-
Variable lease payments not included in lease liabilities	- 279	354
Other cash used in investing activities	-	-
Total expenses	**4,692**	**4,002**

** Short-term leases relate to leases of computer equipment by the Group companies.*

The Group as a lessor

Finance lease liabilities	Dec 31 2020	Dec 31 2019
Net carrying amount	1,442	2,218
Present value of minimum lease payments	**1,442**	**2,218**
Within 1 year	832	776
In 1 to 5 years	610	1,442
Over 5 years	-	-

26. Foreign exchange differences

Exchange differences disclosed in the consolidated statement of comprehensive income, other than differences resulting from financial instruments measured at fair value, are presented in Note 15.3. In 2020 and 2019, there were no exchange differences disclosed in other comprehensive income as a component of equity.

27. Security over assets of the IPOPEMA Securities Group

Both in 2020 and 2019, the Group's assets were used as security for working capital overdraft facilities (see Note 14.3.2).

As at December 31st 2020, the Group identified the following security interests in assets: a PLN 4m bank deposit, blank promissory notes with promissory note declarations, a power of attorney to bank accounts (used as security for an overdraft facility) and a security deposit of EUR 1.5m securing settlement of transactions on foreign stock exchanges.

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

28.1. Litigation and administrative proceedings

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

28.2. Inspections

In 2020, an inspection was carried out at the Company by the Central Securities Depository of Poland concerning records of financial instruments and the operation of the IT systems used to maintain such records. The Company received four post-inspection recommendations from the CSDP, which were implemented.

On December 16th 2020, an inspection by the Polish Financial Supervision Authority commenced, scheduled to last until March 31st 2021.

From October 19th 2020 to January 29th 2021, there was an inspection by the Polish Financial Supervision Authority at IPOPEMA TFI S.A. concerning compliance with its obligations under the Anti-Money Laundering and Counter Terrorist Financing Act of March 1st 2018. Following the inspection, the Polish Financial Supervision Authority issued a number of recommendations. IPOPEMA TFI is currently in the process of bringing its operations into compliance with these recommendations.

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

29. Objectives and principles of financial risk management

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

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

29.1. Market risk

The IPOPEMA Securities Group is exposed to the following types of market risk: interest rate risk, currency risk and price risk understood as the risk of fluctuations in the prices of financial instruments linked to share prices.
In its portfolio, the Group holds shares of companies listed on the Warsaw Stock Exchange. As at December 31st 2020, their value stood at PLN 120 thousand (December 31st 2019: PLN 82 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 2020 are described in the table next to each type of risk. The sensitivity analysis included the impact on net profit/(loss) and equity within one year from the end of the reporting period. The analysis presented below did not include the impact of tax.

Item of the consolidated financial statements	**Amount in PLN thousand in consolidated statement of financial position**	**Interest rate risk** Effect on profit/(loss) *+100bp (PLN/USD/EUR '000)*	**Interest rate risk** Effect on profit/(loss) *-100bp (PLN/USD/EUR '000)*	**Currency risk** Effect on profit/(loss) *+10%*	**Currency risk** Effect on profit/(loss) *-10%*	**Other price risk** Effect on profit/(loss) +10%	**Other price risk** Effect on profit/(loss) -10%	**Other price risk** Effect on equity +10%	**Other price risk** Effect on equity -10%
Financial assets									
Cash and cash equivalents	51,914	519	- 519	2,567	- 2,567	-	-	-	-
Bank deposits	-	-	-	-	-	-	-	-	-
Trade and other receivables	253,270	29	- 29	5,613	- 5,613	-	-	-	-
Financial assets measured at fair value through profit or loss*	120	-	-	-	-	12	- 12	-	-
Equity instruments through other comprehensive income**	3,180	-	-	-	-	-	-	318	- 318
Financial liabilities									
Trade payables	410,842	- 13	13	-	-	4,932	- 4,932	-	-
Other financial liabilities	101					- 941	444		
Borrowings	116,651	- 167	167	-	-	-	-	-	-
Total		**369**	**- 369**	**3,249**	**- 3,249**	**12**	**- 12**	**318**	**- 318**

* Financial assets measured at fair value through profit or loss shown in the sensitivity analysis comprise shares listed on the Warsaw Stock Exchange and forwards.
*** The amount does not include IFA and Muscari shares.*

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

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

** The amount does not include IFA shares.

29.2. Interest rate risk

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

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

On-balance sheet items by payment date:

2020				
Variable interest	**<1 year**	**1–5 years**	**> 5 years**	**Total**
Cash assets	313,202	-	-	313,202
Overdraft facilities	16,651	-	-	16,651
Total	**329,853**	**-**	**-**	**329,853**

2020				
Fixed interest	**<1 year**	**1–5 years**	**> 5 years**	**Total**
Cash assets	-	-	-	-
Total	**-**	**-**	**-**	**-**

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

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

29.3. Currency risk

The parent holds foreign-currency cash at bank and a foreign-currency overdraft facility, and therefore is exposed to currency risk. Currency risk primarily arises from fluctuations in the EUR and USD exchange rates and, to a lesser extent, in the TRY, GBP, HUF and CZK exchange rates. However, both in 2020 and 2019 most of the Group's operating expenses were incurred in PLN.

The parent operates on foreign stock exchanges and uses foreign currencies (EUR, USD, HUF, CZK, and other) to settle stock-exchange transactions and other expenses incurred in those markets. Nonetheless, given the nature of the transaction settlements (with the parent acting as an intermediary), the share of this risk in the Group's overall risk is immaterial. The parent holds a foreign-currency security deposit and cash in bank accounts. For an assessment of the effect of foreign exchange fluctuations as at December 31st 2020 and December 31st 2019, see Note 29.1.

Foreign-currency receivables (not translated into PLN)	Dec 31 2020	Dec 31 2019
Foreign-currency receivables		
- EUR	4,644	3,643
- USD	8,482	4,662
- RON	52	50
- TRY	-	1,711
- GBP	68	86
- CAD	822	355
Foreign-currency liabilities		
- EUR	3,952	2,826
- USD	7,513	4,416
- GBP	82	111
- TRY	-	1,710
- RON	1	-
- CAD	822	355
Cash in foreign currencies		
- CZK	1,010	929
- EUR	1,849	1,817
- HUF	40,546	20,007
- RON	18	21
- USD	3,938	912
- GBP	135	113
- SEK	326	229
- DKK	96	65
- NOK	269	177
- CHF	52	38
- AUD	1	2
- CAD	96	52
- TRY	196	103

29.4. Price risk

The Group holds financial instruments traded on a regulated market (the Warsaw Stock Exchange), in connection with which it has identified the risk of volatility in the prices of financial instruments listed on stock exchanges. These instruments are recognised in the consolidated financial statements as financial assets at fair value through profit or loss. The Group also holds investment certificates and investment fund shares, which are exposed to the risk of volatility of current price, but the aggregate value of the certificates and fund shares is immaterial.
The risk related to prices of financial instruments is limited, as the Group invests only a relatively small portion of its cash in financial instruments.

For an assessment of the effect of changes in financial instrument prices as at December 31st 2020 and December 31st 2019, see Note 29.1.

29.5. Credit risk

The Group is exposed to credit risk understood as the risk that the Group's debtors may fail to fulfil their obligations and thus cause losses to the Group.
The risk is limited given that the Group has a large number of customers. In 2020, only one customer accounted for more than 10% of the Group's revenue; costs incurred to derive the revenue typically represent a significant portion of total service costs.
With respect to other financial assets of the Group, such as cash and cash equivalents, receivables and loans the credit risk arises as a result of the counterparty's inability to pay, and the maximum exposure to this risk is equal to the carrying amount of such other financial assets (Notes 12.1, 12.2).In view of the above, the Group believes that the credit risk was accounted for in the consolidated financial statements through recognition of loss allowance for expected credit losses. Age of receivables and recognised impairment losses are presented in Note 12.2.1. For information on accounting policies governing recognition of impairment losses, see Notes 8.7.2 and 8.7.4. The credit risk related to these asset classes is considered low as the Group has entered into transactions with institutions with a well-established financial position.
The Group companies had no exposures with modified terms subject to forbearance in 2020 or 2019. 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 2020, the maximum value at risk under credit risk for financial assets (Note 18.1) was PLN 569,851 thousand (December 31st 2019: PLN 253,728 thousand).

29.6. Liquidity risk

The Group is exposed to liquidity risk understood as the risk of failure to meet its liabilities as they fall due. The risk is connected with a potentially limited access to financial markets, resulting in the Group's inability to raise new financing or refinance its debt. The Group's objective is to balance its liquidity position by managing its receivables, liabilities and financial instruments and by using debt financing in the form of short-term bank borrowings.
Note 14.3.1 includes a table presenting age of liabilities. The vast majority of the liabilities (91%) 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. A liability under such stock exchange transaction is to a large extent offset by a transaction generating receivables. As at December 31st 2020, the balance of stock exchange transactions (receivables vs liabilities) was PLN 8,863 thousand (December 31st 2019: PLN 6,843 thousand). Liabilities to the Central Securities Depository of Poland/KDPW CCP (the clearing agent) under transactions executed on the WSE may be financed with proceeds from the available credit facilities. In view of the foregoing, the liquidity risk is considered low.
The liquidity risk is identified as one of the typical risks for each business entity and is assessed by the Group under normal market conditions as relatively low given its own cash position (note 12.1) and – in the case of the Company – the available credit lines used to finance stock exchange transactions (Note 14.3.2).

Nevertheless, the current unprecedented situation caused by the prolonged coronavirus pandemic is a major source of economic uncertainty. This entails a significantly increased level of risk for many economic operators, including financial sector entities. Accordingly, the situation may have a material adverse impact on the Group's ability to generate satisfactory revenue streams in the following periods. As a consequence, it may lead to a reduction of cash reserves at individual Group companies, leading to a higher liquidity risk. All that said, given that (i) in 2020, despite the ongoing pandemic, the Group maintained its ability to generate adequate revenue, and (ii) the pandemic is expected to subside in the second half of this year as a result of widespread vaccination campaigns in various countries, including Poland, the Group has not identified a significantly increased liquidity risk on that account in the short and medium terms.

Moreover, no assurance can be given that the bank which provides financing for the Company's activities on the stock exchange would not change its approach to the financing due to the general market situation or the possible deterioration of the Company's financial position. In an extreme negative scenario, it cannot be ruled out that the financing might be significantly limited or even withheld, which could adversely affect the scale of the Company's activities in this business segment and consequently further reduce revenue. However, at present the Company has not identified any indications that this risk could materialise to a higher extent than in previous years.

30. Capital management

The objective of the Group's capital management policy is to ensure that the Group entities continue as going concerns and to maximise return for the shareholders. As at December 31st 2020 and December 31st 2019, the Group's equity was PLN 108,992 thousand and PLN 79,136 thousand, respectively.
IPOPEMA Securities is an investment firm and meets the conditions to be recognised as an EU parent institution as referred to in Article 4 (1) point 29 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 – OJ L 176 of 27 June 2013, as amended ('CRR') and as such it is obliged to meet, in addition to the capital adequacy requirements on a separate basis, the capital adequacy requirements on a prudential consolidated basis in accordance with the CRR. The Group is required to calculate its own funds and prudential requirements, as well as to maintain an appropriate level of consolidated own funds.

Despite its considerable equity value, the Company uses debt financing. In accordance with applicable regulations, the Company is obliged to meet the capital requirements described in Note 13.4. In connection with its operations on the secondary market, upon the closing of each trading day the Company is obliged to ensure an appropriate amount of funds for the Guarantee Fund. Currently, the Company transfers contributions to the Fund using proceeds from a credit facility (for details see Note 14.3.2). There is a risk that the level of equity (and own funds) and the available debt financing will limit the turnover potentially achievable by the Company. To date, the Company has not encountered any problems in making sufficient contributions to the Settlement Guarantee Fund, and the present amount of the available credit facility ensures safe continuation of business at the current level or even a substantial increase in business volumes. However, there can be no assurance that the Bank will extend the term of the credit facility agreement. If this is the case, the Company will finance its operations using internally-generated funds; additionally, it will also take steps to obtain financing from another bank. It should be also noted that if the Company's clients fail to settle transactions concluded on their behalf in a timely manner, the Company may be required to execute such transactions using its own funds.
Given the scope and nature of the Company's business, the current level of the Company's equity is sufficient. However, it is possible that equity may have to be increased in the future, for instance if there are changes to the regulatory capital requirements or business projects. If the equity base needs to be increased, the Company may have to increase the share capital through an issue of new shares.
If any events with an adverse effect on the Company's financial performance occur or if the Company incurs losses, the level of equity may be reduced, which may also limit the Company's ability to use debt financing and force the Company to scale down its business.
IPOPEMA TFI, as an investment fund company, is also obliged to comply with the requirement to secure a sufficient level of equity in accordance with Art. 49 and Art. 50 of the Act on Investment Funds and Management of Alternative Investment Funds of May 27th 2004 and Art. 12–15 of Commission Delegated Regulation (EU) No 231/2013 of December 19th 2012.

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

31. Workforce structure

In 2020 and 2019, the average employment number (employees and permanent associates) at the IPOPEMA Securities Group was as follows:

	2020	2019
Management Board of the parent	4	4
Management Boards of the Group companies	5	5
Other	246	209
Total	**255**	**218**

32. Clients' financial instruments

Clients' financial instruments		Dec 31 2020	Dec 31 2019
Securities admitted to official listing			
- quantity		111,608	111,180
- amount		1,336,860	514,479
Securities not admitted to official listing			
- quantity		35,666	36,070
- amount		184,204	10,901
Designated sponsor			
(i)	shares		
- quantity		300	291
- amount		3,201	554
(ii)	bonds		
- quantity		0.02	0,033
- amount		2,000	3,300
(iii)	investment certificates		
- quantity		15,846	161
- amount		35,026,561	28,824

33. Auditor's fees

Under an agreement concluded in 2020, Grant Thornton Polska Sp. z o.o. Sp. K., with its registered office at ul. Abpa Antoniego Baraniaka 88 E., Poznań, Poland, is the entity authorised to audit the Company's / the Group's full-year separate and consolidated financial statements and to review half-year financial statements. The agreement was concluded for a period of two years.

	2020	2019
Mandatory audit of financial statements	100	104
Other assurance services	68	96
Other services	-	-
Total	**168**	**200**

34. Discontinued operations

The Group did not identify any discontinued operations in 2020 or 2019. Accordingly, all information presented in these consolidated financial statements relates to continuing operations.

35. Events subsequent to the end of reporting period

All events with effect on the 2020 consolidated financial statements are disclosed in the accounting records for 2020.

The ongoing coronavirus epidemic (in particular its second wave) is expected to be the factor that can potentially continue to exert the strongest adverse impact on the economy and the condition of the financial markets, and consequently on the IPOPEMA Group's business, in 2021. In the months following the critical period at the onset of the pandemic in 2020, the COVID-19-related restrictions were gradually eased and the economy reopened, with financial aid programmes launched to support businesses and entrepreneurs most affected by the situation. However, the third wave of the pandemic sweeping the globe, including Poland, in the months immediately preceding the issue of this report and potential restrictions imposed to contain it may lead to further negative consequences, whose scale and duration are difficult to foresee.

The unprecedented nature as well as the scale and complexity of the crisis, with no clearly adverse impact so far on the performance of the Group's segments, make it equally difficult to estimate the impact of the epidemic on the operations of the Group's segments in the months ahead. Although IPOPEMA is seeking to be a beneficiary of recovery seen in certain areas and sectors of the economy, which was already partly reflected in its revenue and earnings in 2020, it is nevertheless difficult to predict, given the still unprecedented nature of the current situation, how the general economic climate will evolve in the coming months of 2021 and how it will affect the IPOPEMA Group's operations.

Warsaw, March 29th 2021

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