The IPOPEMA Securities Group

Consolidated financial statements

for the year ended December 31st 2010

CONTENTS

Compliance statement

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

- to the best of our knowledge, the annual consolidated financial statements as at December 31st 2010 and the comparative data have been prepared in compliance with the applicable accounting standards and give a clear, true and fair view of the assets, financial standing and financial performance of the IPOPEMA Securities Group;
- the Directors' Report on the Group's operations in 2010 gives a true picture of the Group's development, achievements and standing; it also includes a description of risks and threats;
- BDO Sp. z o.o., registered office at ul. Postępu 12, Warsaw, a qualified auditor of financial statements, entered in the list of qualified auditors of financial statements maintained by the National Chamber of Statutory Auditors (NCSA) under Reg. No. 3355, which audited the annual separate and consolidated financial statements, was appointed in compliance with applicable laws. BDO Sp. z o.o and the Auditor who audited the annual consolidated financial statements of the IPOPEMA Securities Group as at December 31st 2010 meet the relevant criteria for issuing an objective and independent auditor's opinion, as required by applicable laws.

Warsaw, March 17th 2011

Management Board of IPOPEMA Securities S.A.:

Jacek Lewandowski President of the Management Board	Mariusz Piskorski Vice-President of the Management Board	Stanisław Waczkowski Vice-President of the Management Board	Mirosław Borys Vice-President of the Management Board

Financial highlights

	PLN '000		EUR '000	
Consolidated financial highlights	**2010**	**2009**	**2010**	**2009**
Revenue from core activities	100,451	70,503	25,085	16,243
Costs of core activities	71,071	53,148	17,748	12,244
Profit on core activities	29,380	17,355	7,337	3,999
Operating profit	26,381	15,144	6,588	3,489
Pre-tax profit	23,541	15,172	5,879	3,495
Net profit from continuing operations	18,419	11,608	4,600	2,674
Net profit	18,419	11,608	4,600	2,674
Net earnings from continuing operations per ordinary share (PLN/ EUR)				
- basic	0.62	0.40	0.16	0.09
- diluted	0.61	0.40	0.15	0.09
Net cash provided by/(used in) operating activities	64,478	12,918	16,102	2,976
Net cash provided by (used in) investing activities	- 10,525	- 6,164	- 2,628	- 1,420
Net cash provided by (used in) financing activities	- 7,487	- 3,602	- 1,870	- 830
Total cash flows	46,466	3,152	11,604	726

Consolidated financial highlights	PLN '000		EUR '000	
	Dec 31 2010	**Dec 31 2009**	**Dec 31 2010**	**Dec 31 2009**
Total assets	408,402	386,005	103,124	93,960
Current liabilities	331,689	330,449	83,754	80,436
Total equity	69,251	48,540	17,486	11,815
Number of shares	29,342,301	28,928,553	29,342,301	28,928,553
Book value per share (PLN/EUR)	2.36	1.68	0.60	0.41

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

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

Average exchange rate calculated as the arithmetic mean of the exchange rates quoted on the last day of each month in a given period	**2010**	**2009**
EUR	4.0044	4.3406

- Items of the statement of financial position:

Exchange rate as at	**Dec 31 2010**	**Dec 31 2009**
EUR	3.9603	4.1082

These consolidated financial statements for the year ended December 31st 2010 were approved for publication by the Management Board on March 17th 2011.

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

EUR	**2010**	**2009**
Lowest exchange rate	3.8356	3.9170
Highest exchange rate	4.1770	4.8999

Consolidated statement of comprehensive income

for the year ended December 31st 2010

	Note	2010	2009
CONTINUING OPERATIONS			
Revenue from core activities, including:	16.1	**100,451**	**70,503**
Revenue from brokerage activities		69,378	55,320
Revenue from management of investment funds		17,499	8,832
Revenue from advisory services		13,574	6,351
Costs of core activities	16.2	**71,071**	**53,148**
Profit (loss) on core activities		**29,380**	**17,355**
Gain (loss) on transactions in financial instruments held for trading	16.4	- 2,107	- 880
Gain (loss) on transactions in financial instruments held to maturity		-	-
Gain (loss) on transactions in financial instruments available for sale		-	-
Other operating income	16.5	454	122
Other operating expenses	16.5	1,346	1,453
Operating profit (loss)		**26,381**	**15,144**
Finance income	16.3	1,999	1,982
Finance expenses	16.3	4,839	1,954
Pre-tax profit (loss)		**23,541**	**15,172**
Corporate income tax	19	5,122	3,564
Net profit (loss) on continuing operations		**18,419**	**11,608**
DISCONTINUED OPERATIONS		**-**	**-**
Net profit (loss) for period		**18,419**	**11,608**
Attributable to:			
Owners of the parent		18,002	11,756
Non-controlling interests		417	- 148
Earnings (loss) per share (PLN)	10	0.62	0.40
Diluted earnings (loss) per share (PLN)	10	0.61	0.40
Other comprehensive income		**1,004**	**3**
Gains and losses on revaluation of financial assets available for sale		1,240	4
Corporate income tax on items of other comprehensive income	19.1	236	- 1
Comprehensive income for period		**19,423**	**11,611**
Attributable to:			
Owners of the parent		19,006	11,759
Non-controlling interests		417	- 148

Warsaw, March 17th 2011

Jacek Lewandowski
President of the
Management Board

Mariusz Piskorski
Vice-President of the
Management Board

Stanisław Waczkowski
Vice-President of the
Management Board

Mirosław Borys
Vice-President of the
Management Board

Danuta Ciosek
Chief Accountant

Consolidated statement of financial position

as at December 31st 2010

ASSETS	Note	Dec 31 2010	Dec 31 2009
Cash and cash equivalents	13.1	98,732	47,216
Current receivables	13.2, 26	289,654	328,904
Current prepayments and accrued income	13.3	768	500
Financial instruments held for trading	13.4, 20.2	8,852	4,345
Financial instruments held to maturity		-	-
Financial instruments available for sale	13.5, 20.2	2,157	420
Investments in jointly controlled and associated undertakings		-	-
Non-current receivables	26	493	111
Non-current loans advanced	20.1	2,865	-
Property, plant and equipment	13.6	1,572	1,576
Investment property		-	-
Intangible assets	13.7	1,860	1,486
Inventories		-	-
Non-current prepayments and accrued income	19.1	1,449	1,447
TOTAL ASSETS		**408,402**	**386,005**

EQUITY AND LIABILITIES		Dec 31 2010	Dec 31 2009
Current liabilities	15.3	331,689	330,449
Other financial liabilities		-	-
Non-current liabilities		-	-
Provisions	15.1, 19.1	7,422	7,016
Accruals and deferred income		40	-
Total liabilities		**339,151**	**337,465**
Share capital	14.1	2,934	2,893
Other capital reserves	14.2	10,970	8,719
Retained earnings	14.2	53,554	35,552
Total equity		**67,458**	**47,164**
Non-controlling interests	14.3	**1,793**	**1,376**
Total capital		**69,251**	**48,540**
TOTAL EQUITY AND LIABILITIES		**408,402**	**386,005**

Warsaw, March 17th 2011

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Consolidated statement of cash flows

for the year ended December 31st 2010

CASH FLOWS	Note	2010	2009
Cash flows from operating activities	25		
Pre-tax profit		**23,541**	**15,172**
Total adjustments:		**40,937**	**- 2,254**
Depreciation and amortisation		999	1,021
Foreign exchange gains/(losses)		36	-
Interest and dividends		605	847
Profit (loss) on investment activities		643	-
Change in financial instruments held for trading		- 4,507	- 2,542
Change in receivables		39,796	- 236,161
Change in current liabilities (net of loans and borrowings)		7,495	231,756
Change in provisions and impairment losses on receivables		148	4,678
Change in accruals and deferrals		- 242	119
Corporate income tax		- 5,130	- 4,154
Other adjustments (effect of incentive schemes)		1,094	2,182
Net cash provided by (used in) operating activities		**64,478**	**12,918**
Cash flows from investing activities			
Increase in loans advanced		- 3,449	- 30
Profit distributions (dividends) received		115	-
Interest received		134	-
Decrease in loans advanced		212	7
Acquisition of property, plant and equipment and intangible assets		- 1,368	- 1,081
Acquisition of financial instruments available for sale and held to maturity		- 639	- 5,067
Other expenses		- 10,671	-
Disposal of financial instruments available for sale		5,141	7
Net cash provided by (used in) investing activities		**- 10,525**	**- 6,164**
Cash flows from financing activities			
Increase in loans and borrowings		-	6,911
Proceeds from issue of own shares		194	218
Other cash provided by/used in investing activities		- 610	87
Interest paid		- 1,009	- 982
Repayment of loans and borrowings		- 6,062	-
Dividends to owners of the parent		-	- 9,836
Net cash provided by (used in) financing activities		**- 7,487**	**- 3,602**
Total cash flows		**46,466**	**3,152**

Net increase in cash and cash equivalents	46,421	3,152
Change in cash resulting from currency exchange differences	- 45	-
Cash at beginning of period	42,168	39,016
Cash at end of period, including	**88,589**	**42,168**
restricted cash	-	-

Warsaw, March 17th 2011

Jacek Lewandowski President of the Management Board	Mariusz Piskorski Vice-President of the Management Board	Stanisław Waczkowski Vice-President of the Management Board	Mirosław Borys Vice-President of the Management Board

Danuta Ciosek
Chief Accountant

Consolidated statement of changes in equity

for the year ended December 31st 2010

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
		Other capital reserves					
	Share capital	Share premium account	Revaluation capital reserve	Other	Retained earnings		
As at Jan 1 2010	**2,893**	**7,280**	**-32**	**1,471**	**35,552**	**1,376**	**48,540**
Profit for 2010	-	-	-	-	18,002	417	18,419
Issue of shares	41	153	-	-	-	-	194
Costs of incentive scheme	-	-	-	1,094	-	-	1,094
Other comprehensive income	-	-	1,004	-	-	-	1,004
Dividend payment	-	-	-	-	-	-	-
As at Dec 31 2010	**2,934**	**7,433**	**972**	**2,565**	**53,554**	**1,793**	**69,251**
As at Jan 1 2009	**2,857**	**7,148**	**-35**	**763**	**33,632**	**-**	**44,365**
Profit for 2009	-	-	-	-	11,756	- 148	11,608
Issue of shares	36	132	-	-	-	50	218
Dividend payment	-	-	-	-	- 9,836	-	- 9,836
Other comprehensive income	-	-	3	-	-	-	3
Costs of incentive scheme	-	-	-	2,182	-	-	2,182
Change in value of IBC shares following dilution	-	-	-	-1,474	-	1,474	-
As at Dec 31 2009	**2,893**	**7,280**	**- 32**	**1,471**	**35,552**	**1,376**	**48,540**

Warsaw, March 17th 2011

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Chief Accountant

NOTES

1. Information on the IPOPEMA Securities Group

The IPOPEMA Securities Group ("the Group") comprises undertakings which are controlled by IPOPEMA Securities S.A. ("the Parent Undertaking" or "the Company").

The Parent Undertaking's registered office is at ul. Waliców 11, Warsaw, Poland.

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

As at December 31st 2010, the IPOPEMA Securities Group comprised IPOPEMA Securities S.A. and its three subsidiary undertakings (the subsidiaries are presented in Note 2).

IPOPEMA Securities S. A. – the parent undertaking

The Parent Undertaking was established (under the name of Dom Maklerski IPOPEMA S.A.) on March 2nd 2005 for indefinite time.

The Parent Undertaking is entered in the Register of Entrepreneurs at the National Court Register maintained by the District Court, XII Commercial Division of the National Court Register, under entry No. KRS 0000230737.

The Parent Undertaking was assigned Industry Identification Number (REGON) 140086881.

On June 30th 2005, the Polish Securities and Exchange Commission (currently the Polish Financial Supervision Authority) granted a brokerage licence to the Company, authorising it to conduct brokerage activities in the scope specified in the decision.

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

Composition of the Management Board

As at the date of these financial statements, the Company's Management Board was composed of:

- Jacek Lewandowski – 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 financial statements, the Company's Supervisory Board was composed of:

- Jacek Jonak – Chairman of the Supervisory Board,
- Roman Miler – Deputy Chairman of the Supervisory Board,
- Janusz Diemko – Secretary of the Supervisory Board,
- Bogdan Kryca – Member of the Supervisory Board,
- Wiktor Sliwinski – Member of the Supervisory Board.

There were no changes in the composition of the Supervisory Board and the Management Board of the Parent Undertaking in 2009, 2010 and by the date of these financial statements.

Business profile

The Group's core business comprises:

1 brokerage activities,
2 business and management consultancy services,
3 operation of investment fund companies, as well as the creation and management of investment funds,
4 computer facilities management activities,
5 computer consultancy services.

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

As part of its brokerage business IPOPEMA Securities S.A. provides comprehensive services for institutional clients in the area of intermediation in securities trading on the secondary market. The Company's partners are both high-profile international financial institutions and the majority of leading Polish institutional investors, including open-end pension funds, investment fund companies, asset managers and insurers.

The Company's investment banking offering includes comprehensive assistance in the preparation and execution of transactions on the capital market, involving the use of equity instruments (shares), debt instruments (corporate bonds), and hybrid solutions (convertible bonds). In particular, the Company focuses on public offerings of securities (especially shares), in which it acts as the coordinator, offeror and financial adviser, M&A deals 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. The Company also provides advisory services related to corporate financial restructuring.

The brokerage and investment banking operations of IPOPEMA Securities S.A. are supported by a research team which prepares analyst reports, recommendations and comments regarding large, medium-sized and small companies listed on the Warsaw and Budapest Stock Exchanges. The Company's organisation includes also the Market Making and Proprietary Trading Department. Its activities focus on the most liquid instruments and involve arbitrage transactions in equities and futures. Moreover, the Market Making Department offers market making services for issuers of shares listed on the WSE, ensuring liquidity of trading in their securities. The Department is also responsible for proprietary trading within an assigned budget.

Furthermore, in Q4 2009 the Company launched asset management services. They are currently offered by IPOPEMA Securities, but are planned to be transferred to IPOPEMA TFI in the future.

2. Composition of the Group

IPOPEMA Securities S.A. is the Parent Undertaking of the IPOPEMA Securities Group. Both the Parent Undertaking and the other Group undertakings have been established for indefinite time.

As at December 31st 2010 and December 31st 2009, the Group comprised IPOPEMA Securities S.A. and the following subsidiary undertakings:

Company name	Business profile	Consolidation method	Share capital held	Total vote held
IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A.	- operation of investment fund companies, as well as the creation and management of investment funds, - discretionary management of securities portfolios; - advisory services in the area of securities trading; - intermediation in the sale and redemption of investment fund units; - representation service for foreign funds.	full	100%	100%
IPOPEMA Business Consulting Sp. z o.o.	- other business and management consulting services; - computer facilities management activities; - computer consultancy services; - software-related activities; - wholesale of computers, computer peripheral devices and software.	full	50.02%	50.02%
IPOPEMA Business Services Kft.	- office and business support	unconsolidated (immaterial financial data)	100%	100%

IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A. ("IPOPEMA TFI") - a subsidiary

IPOPEMA TFI was established on March 14th 2007 and operates under the licence issued by the Polish Financial Supervision Authority (PFSA) on September 13th 2007. Its business profile comprises: (i) operation of an investment fund company, as well as creation and management of investment funds, (ii) discretionary management of securities portfolios, (iii) advisory services in the area of securities trading, (iii) intermediation in the sale and redemption of investment fund units, and (iv) representation service for foreign funds. IPOPEMA TFI's share capital amounts to PLN 3,000 thousand. The Management Board is composed of Jarosław Wikaliński (President), Maciej Jasiński, Marek Świętoń and Aleksander Widera (Vice-Presidents), who have many years' market practice and experience in the financial market, including in the area of asset management and creation of investment funds. IPOPEMA Securities S.A. holds 100% of shares and votes at the General Shareholders Meeting of IPOPEMA TFI.

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

IPOPEMA Business Consulting Sp. z o.o. was established on August 26th 2008. As at December 31st 2010 and December 31st 2009, its share capital amounted to PLN 100,050 and was divided into 2,001 shares, of which 1,001 were held by IPOPEMA Securities S.A., and the remaining 1,000 shares were held in equal parts by its partners: Eliza Łoś-Strychowska and Tomasz Rowecki, who are the Management Board of IPOPEMA BC. The company's business profile comprises: (i) other business and management consulting services (ii) computer facilities management activities, (iii) IT consultancy services, (iv) software-related activities, (v) wholesale of computers, computer peripheral equipment and software.

In 2009, there were changes in IBC's share capital. The changes were registered with the National Court Register on August 10th 2009. The resultant change in the Company's interest in IBC, in the amount of PLN 1,474 thousand, did not cause a loss of control over IBC and was recognised as an equity transaction under "other capital reserves".

IPOPEMA Business Services Kft. ("IBS") – a subsidiary

IPOPEMA Business Services Kft. is a commercial company under Hungarian law, established on December 10th 2009, with registered office in Budapest, Hungary. Its founder and sole shareholder is IPOPEMA Securities S.A. IBS's share capital totals HUF 500,000 (PLN 7,000). The core business of the subsidiary is the provision of office and business support services, e.g. for IPOPEMA Securities agents involved in brokerage activities on the Budapest Stock Exchange (BSE). The company has a single-person Management Board: its President is Marcin Kurowski, IPOPEMA Securities S.A.'s employee with a long record of service for the Company.

3. Basis for preparation of the consolidated financial statements

3.1. Going concern assumption

These consolidated financial statements have been prepared on the assumption that the companies of the Group would continue as going concerns in the foreseeable future. As at the date of approval of these financial statements, there are no circumstances which would indicate any threat to their continuing as going concerns.

3.2. Identification of financial statements

These consolidated financial statements of the Group cover the year ended December 31st 2010 and contain comparative data for the year ended December 31st 2009.

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

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

The 2009 consolidated financial statements of the IPOPEMA Securities Group were audited and submitted to the National Court Register and published in Monitor Polski B. As at the date of preparation of these financial statements, they have not been approved by the General Shareholders Meeting.

3.3. Compliance Statement

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

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

The Group companies keep their accounting books in accordance with the accounting principles set forth in the Polish Accountancy 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 undertakings but which have been made to achieve compliance of the undertakings' financial statements with the IFRS.

3.4. Measurement currency and reporting currency of the financial statements

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

4. Material accounting policies

4.1. Standards applied retrospectively

These consolidated financial statements have been prepared in accordance with the following standards, effective from 2010 (the standards are applied retrospectively):

- IFRS 3 (revised) *Business Combinations* – published on January 10th 2008 and effective for reporting periods beginning on or after July 1st 2009. Earlier application is permitted under certain circumstances. The revised IFRS 3 requires that all acquisition-related costs be recognised as expense when incurred. Under IFRS 3 and related revisions to IAS 27, the acquisition accounting for business combinations is only applied at the time control is obtained, thus goodwill is measured only as at that moment. IFRS 3 puts greater emphasis on fair value as at the acquisition date, defining the relevant accounting method. According to the revised standard, a non-controlling interest in the acquiree may be measured either at fair value or the non-controlling interest's proportionate share of net identifiable assets of the acquiree. Moreover, the modified standard requires that consideration for acquisition be measured at fair value as at the acquisition date. This requirement applies also to the fair value of any contingent consideration. IFRS 3 (as revised in 2008) permits only few changes to the valuation established upon initial recognition of a business combination, and only if they result from new information obtained about facts and circumstances that existed at the acquisition date. Any other changes are recognised in profit or loss. The standard defines the impact on acquisition accounting in the case when the acquirer and the acquiree were parties to a pre-existing relation. IFRS 3 (as revised in 2008) requires that an entity should classify all contractual terms as at the acquisition date. There are, however, two exceptions to this principle: lease contracts and insurance contracts. The acquirer applies its own accounting principles and makes its choices as if it assumed the contractual relations irrespective of the business combination.

- IAS 27 (revised) *Consolidated and Separate Financial Statements* – published on January 10th 2008 and effective for reporting periods beginning on or after July 1st 2009. Earlier application is permitted under certain circumstances. The revised standard clarifies that any changes in the parent's interests in a subsidiary that do not involve a loss of control are accounted for as equity transactions with owners. Gain or loss is not recognised and goodwill is not remeasured. Any difference between the change in the non-controlling interest and the fair value of paid or received consideration is recognised directly in equity and attributed to parent's owners. The standard provides for accounting policies to be applied by the parent undertaking in the case of a loss of control over a subsidiary. Amendments to IAS 28 and IAS 31 extend the requirements concerning accounting for a loss of control. If an investor loses significant influence over an associate, it derecognises that associate and recognises in profit or loss the difference between the sum of the proceeds received and any retained interest, and the carrying amount of the investment in the associate as at the date significant influence is lost. A similar accounting policy is applied when an investor loses joint control over an entity.

The Group chose to apply early the above standards. In 2009, there was a change in the Company's interest in the share capital of IPOPEMA BC. The transaction did not result in the loss of control and was recognised as an equity transaction in the consolidated financial statements for 2009. For details of the transaction see Note 2 to these consolidated financial statements.

4.2. Changes in accounting polices following amendments to IFRS

- Amendments to IFRS 2009 – on April 16th 2009 the International Accounting Standards Board published *Amendments to IFRS* which contain amendments to 12 standards. They include changes to presentation, recognition and measurement as well as terminology and editing changes. Implementation of the amendments led to changes in the adopted accounting policies, but did not affect the financial standing or performance of the Group.

These consolidated financial statements were prepared in accordance with the following standards effective from 2010. Their application, save for a number of additional disclosures, did not have a material impact on these consolidated financial statements.

- Amendments to IFRS 2 *Share-based Payments – Cash-settled Share-based Payment Transactions* – published on June 18th 2009. The amendments clarify the principles of accounting for group cash-settled share-based payment transactions in separate financial statements of the entity which receives goods or services but is not required to settle share-based payment transactions.

- Amendments to IFRS 1 *Additional Exemptions for First-time Adopters* - published on June 23rd 2009. The amendments did not affect the Group's financial statements.

- Amendments to IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations*. The amendment clarifies that if a subsidiary is classified as held for sale, all of its assets and liabilities are classified as held for sale, even if the parent undertaking retains non-controlling interests in the subsidiary following the disposal. The amendment is applied prospectively and does not affect the presented financial standing or performance of the Group.

- Interpretation to IFRIC 15 *Agreements for the Construction of Real Estate* – endorsed by the EU on July 22nd 2009 (effective for annual periods beginning on or after January 1st 2010).

- Interpretation to IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* – endorsed by the EU on June 4th 2009 (effective for annual periods beginning on or after July 1st 2009).

- Interpretation to IFRIC 17 *Distributions of Non-cash Assets to Owners* – endorsed by the EU on November 26th 2009 (effective for annual periods beginning on or after November 1st 2009).

- Interpretation to IFRIC 18 *Transfers of Assets from Customers* – endorsed by the EU on November 27th 2009 (effective for annual periods beginning on or after November 1st 2009).

- IAS 39 (revised) *Financial Instruments: Recognition and Measurement* - published on July 31st 2008, applied retrospectively for periods beginning on or after July 1st 2009). Earlier application is permitted. The amendments provide clarification on two issues in relation to hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options. The amendments clarify that inflation may only be hedged if changes in inflation are a contractually specified portion of cash flows under a recognised financial instrument. The amendments also clarify that a risk-free or benchmark interest rate portion of the fair value of a fixed-rate financial instrument may normally be separately identified and reliably measured and therefore may be hedged. The revised IAS 39 permits an entity to designate purchased (or net purchased) options as a hedging instrument in a hedge of financial or non-financial item. An entity may designate an option as a hedge of changes in cash flows or fair value of a hedged item above or below a specified price or other variable (one-sided risk). The amendments will not affect the Group's financial statements.

- Interpretation to IFRIC 12 *Service Concession Arrangements* – endorsed by the EU on March 25th 2009 (effective for annual periods beginning on or after March 30th 2009).

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

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

- Amendment to IAS 32 *Classification of Rights Issues* – published on October 8th 2009. The amendment addresses the classification of instruments which entitle their holders to purchase the entity's equity instruments at a fixed price, when the price is given in a currency other than the functional currency of the entity. The amendment will apply to annual periods beginning on or after February 1st 2010. The amendment will not materially affect the Group's financial statements.

- IAS 24 (revised) *Related Party Disclosures* – the revised standard was published on November 4th 2009. The revised standard simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition, and provides a partial exemption for entities owned by the State Treasury. The revised standard will apply to annual periods beginning on or after January 1st 2011. Currently, the Group is reviewing the impact of the revised standard on its financial statements.

- IFRS 9 *Financial Instruments* – the standard was published on November 12th 2009 and it replaced IAS 39 Financial Instruments: Recognition and Measurement. The standard introduces new requirements for classifying and measuring financial assets, including some hybrid financial instruments. The standard requires that all financial assets are:

- classified based on the entity's business model and the contractual cash flow characteristics of the financial assets,

- recognised at fair value, which, in the case of investments not measured at fair value through the statement of comprehensive income, is increased by transaction costs,

- measured at amortised cost or fair value.

The new requirements improve and simplify the classification and measurement of financial assets as compared with IAS 39. The standard introduces a uniform classification method, replacing many financial asset categories to which specific classification criteria applied under IAS 39. New requirements introduce also a single impairment testing method instead of many different impairment testing methods under IAS 39 which resulted from different classification categories. The revised standard will apply to annual periods beginning on or after January 1st 2013. Currently, the Group is reviewing the impact of the standard on its financial statements.

- Amendment to IFRIC 14 *Prepayments of a Minimum Funding Requirement* – published on November 26th 2009. The amendment removes the unintended consequences of treatment of prepayments for future contributions to equity when there is a minimum funding requirement. The amendment is applied only when:

- the entity is subject to the minimum funding requirement, and

- the entity makes a prepayment to meet the requirement.

Under the amendment, the entity is allowed to treat the benefit from such prepayment as an asset. The amendment will apply to annual periods beginning on or after January 1st 2011. Currently, the Group is reviewing the impact of the amendment on its financial statements.

- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* - published on November 26th 2009. The interpretation clarifies accounting treatment of a situation where an entity renegotiates the terms of a financial liability with its creditor and issues equity instruments in order to settle, in whole or in part, the financial liability. The interpretation does not address the accounting for such transaction by the creditor. The amendment will apply to annual periods beginning on or after July 1st 2010. Currently, the Group is reviewing the impact of the interpretation on its financial statements.

The Group believes that the above standards and interpretations will not have a material effect on its financial statements in the period of their initial adoption, unless stated otherwise in the description of particular amendments and revisions.

The Group decided not to apply early the above standards, amendments, and interpretations.

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

- IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after January 1st 2013)

- Amendments to IFRS 1 *First-Time Adoption of IFRSs* – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (effective for annual periods beginning on or after July 1st 2011).

- Amendments to IFRS 7 *Financial Instruments: Disclosures* – Transfers of Financial Assets (effective for annual periods beginning on or after July 1st 2011).
- Amendments to IAS 12 *Income Tax* – Deferred Tax: Realisation of Assets (effective for annual periods beginning on or after January 1st 2012).
- Amendments to various standards and interpretations *Improvements to IFRSs (2010)* – amendments made as part of the process of making annual improvements to the IFRSs, published on May 6th 2010 (amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, and IFRIC 13), aimed chiefly at eliminating inconsistencies and clarification of wording (effective for annual periods beginning on or after January 1st 2011).

The Company estimates that the above standards, interpretations and amendments to standards would not have had any material effect on the Company's financial statements if they had been applied as at the balance-sheet date.

7. Material judgements and estimates

7.1. Professional judgement

Where a given transaction does not fall within the scope of any standard or interpretation, the Management Board relies on its subjective judgement to determine and apply accounting policies which will ensure that the 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 standing, 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.

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

The subjective judgements made as at December 31st 2010 and details regarding estimates and judgements are presented in Note 7.2.

7.2. Estimation uncertainty

As many items presented in the financial statements cannot be measured accurately, certain estimates need to be made by the Group in the preparation of the consolidated financial statements. The Group reviews such estimates taking into account the changes in the factors on which such estimates were based, new information and past experience. Therefore, the estimates made as at December 31st 2010 may be changed if their underlying assumptions are changed or if the Group becomes aware of any facts affecting the estimates. For information on the key estimates, see the following Notes:

Note		Type of disclosure
9.7.1	Impairment losses on receivables	Main assumptions underlying the computation of recoverable amount
9.4 and 9.5	Useful life of property, plant and equipment and intangible assets	Useful lives and depreciation/amortisation methods are reviewed at the end of each reporting period or more frequently.
9.12	Provisions for expenses	Assumptions underlying creation of provisions

8. Changes in estimates

Within the period covered by these financial statements, there were no changes in estimates other than changes in provisions for receivables and impairment losses on receivables, as discussed in Notes 13.2.1 and 15.1.1.

9. Material accounting policies

9.1. Consolidation rules

These consolidated financial statements include the financial statements of IPOPEMA Securities S.A. and the financial statements of its subsidiary undertakings, in each case prepared for the year ended December 31st 2010 and December 31st 2009 (in the case of the statement of comprehensive income and the statement of cash flows) and as at December 31st 2010 and December 31st 2009 (in the case of the statement of financial position and the statement of changes in equity). IPOPEMA Business Services Kft. ("IBS"), a subsidiary, was excluded from consolidation for 2010 and 2009 due to immateriality of its financial data in relation to the Group's financial data, and due to the short period of its operations (IBS was incorporated on December 10th 2009).

The financial statements of the subsidiaries were prepared for the same reporting period as the financial statements of the Parent Undertaking, using consistently applied accounting policies and with the same accounting policies applied to economic events and transactions of similar nature. Adjustments were made to eliminate any discrepancies in the applied accounting policies.

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

Subsidiary undertakings are consolidated from the date the Group assumes control over them, and cease to be consolidated from the date such control is lost. The Parent Undertaking exercises control over a subsidiary if it holds, directly or indirectly through subsidiaries, more than half of voting rights in a given company, unless it is possible to demonstrate that the ownership of more than half of the voting rights does not constitute control. Control is exercised also when the Company has the power to direct the financial and operating policies of an undertaking.

9.2. Correction of errors

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

9.3. Translation of foreign-currency items

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

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

2) the mid-exchange rate quoted for a given currency by the National Bank of Poland (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-exchange rate quoted by the NBP for a given currency, in effect at the end of the reporting period. Currency translation differences are disclosed as finance income or expenses, as appropriate.

The following exchange rates were applied for the purposes of balance-sheet valuation:

Currency	Dec 31 2010	Dec 31 2009
USD	2.9641	2.8503
‘000	3.9603	4.1082
HUF 100	1.4206	1.5168
GBP	4.5938	4.5986
UAH	0.3722	0.3558
CZK	0.1580	0.1554
CHF	3.1639	2.7661
INR 100	6.7450	6.1543

9.4. Property, plant and equipment

Property, plant and equipment are disclosed at acquisition or production cost less depreciation charges and impairment losses. Property, plant and equipment are initially disclosed at acquisition cost plus any costs directly related to the purchase of the assets and bringing them to appropriate condition for their intended use. The cost also includes the cost of replacing component parts of plant and equipment, which is recognised when incurred if relevant recognition criteria are fulfilled. Costs incurred after a given asset has been placed in service, such as costs of maintenance or repair, are charged to the consolidated statement of comprehensive income when incurred.

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

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

Depreciation/amortisation is charged using the straight-line method over the estimated useful life of an asset. The depreciation/amortisation rates applied by the Group are presented in the table below:

Type of asset	Depreciation rate
Plant and equipment	10%
Office equipment	20%
Computers	11% - 33%
Leasehold improvements	10%
Intangible assets	6% - 50%

If during the preparation of financial statements any circumstances are identified indicating that the carrying value of an asset may not be recoverable, such asset is tested for impairment. If there is indication of impairment and the carrying value of an asset exceeds its estimated recoverable amount, then the carrying value 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 operating expenses.

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

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

9.5. Intangible assets

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

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 each financial year-end 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.

9.6. Financial instruments

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

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

Financial assets

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

Financial liabilities

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

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

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

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

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

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

As far as the Group is concerned, the category includes primarily equity instruments acquired for resale in the near term. They comprise shares and derivatives traded on the Warsaw Stock Exchange as well as currency forwards. The Group does not apply hedge accounting.

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

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

Financial derivatives are carried at fair value from the transaction date. Financial derivatives held by the Group are listed on the Warsaw Stock Exchange, with the exception of the forward contract entered into by the Company. Fair value is determined based on stock-exchange prices on the balance-sheet date or, in the case of instruments not listed on the Warsaw Stock Exchange, by using recognised valuation models based on market data as at the valuation date (balance-sheet date). Derivatives with positive fair values are disclosed in the statement of financial position as assets, while those with negative fair values – as liabilities.

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

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

Financial instruments held to maturity

Financial instruments held to maturity are investments with fixed or determinable payments and fixed maturities that the Group intends and is able to hold to maturity.

As at each reporting date, financial assets held to maturity are measured at amortised cost, using the effective interest rate.

As at the end of the reporting period and the comparative period, the Group did not have any financial instruments held to maturity.

Loans and receivables

Trade receivables, loans and other receivables with fixed or negotiable payment terms, not traded on an active market, are classified as loans and receivables. Loans and receivables with more than 12 months to maturity are measured at amortised cost using the effective interest rate method, less impairment losses. Interest income is recognised at the effective interest rate, save for current receivables where recognition of interest income would be immaterial. Non-interest bearing current receivables are measured at amounts receivable, subject to the prudent valuation principle. They include mainly trade receivables, bank deposits, cash equivalents, loans, and acquired unlisted debt securities, not classified to other categories.

Loans with terms of three and five years advanced to IPOPEMA Securities' business partners are classified under "Loans advanced". Since loans may be amortised after the repayment date, the Group applies the straight-line amortisation method with respect to the principal amount and accrued interest. Amortisation charges are disclosed under finance expenses. Loans advanced also include loans advanced to a subsidiary and trade receivables discussed in Note 9.7.

Furthermore, under financial assets the Group discloses receivables under lease of property, plant and equipment and intangible assets to IPOPEMA Business Services. The value of the leased out property, plant and equipment and intangible assets amounted to PLN 510 thousand as at December 31st 2010, including non-current receivables of PLN 393 thousand.

Financial instruments available for sale

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

Financial assets available for sale include mainly investment certificates acquired in order to invest cash surplus, other than investment certificates which have been designated as financial assets at fair value through profit or loss since the Group intends to sell them in the near term.

Financial instruments available for sale are classified as non-current assets if they are not intended for sale within a year from the end of the reporting period; otherwise, they are classified as current assets. As at the end of each reporting period, financial instruments available for sale are measured at fair value, and any resultant gains or losses (other than impairment losses) are recognised under revaluation capital reserve.

Acquisition and sale of financial instruments available for sale are recognised as at the transaction date. On initial recognition, they are measured at acquisition cost (fair value), including the transaction costs. Investment fund units are measured at current prices, i.e. the net asset value per unit last published by the investment fund.

Shares in subsidiary undertakings not subject to consolidation are measured at acquisition cost less impairment losses. Investment certificates are carried at fair value, based on the net value per certificate as published by the investment fund in consultation with the depositary. Valuation results increase or decrease (as appropriate) the revaluation capital reserve.

Financial liabilities measured at amortised cost

Other financial liabilities, including bank loans and borrowings, are initially measured at fair value less transaction costs and then at amortised cost (interest expense is measured using the effective cost method). The effective interest rate method is a method of calculating the amortised cost of a liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments over the expected life of a given liability or, when appropriate, a shorter period.

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

9.7. Receivables

9.7.1. Current receivables

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

Receivables are initially recognised at nominal value and then measured at amounts due as at the end of the reporting period. The amount of receivables is subsequently decreased by impairment losses. Receivables are remeasured to account for the probability of their repayment and impairment losses are recognised where necessary. The Group recognises impairment losses if there is objective evidence that it will not be able to recover all the amounts due under the original contractual terms.

Impairment losses are recognised in particular for:

- receivables past due by 6 months to 1 year – impairment loss of 50% of the receivables amount is recognised,
- receivables past due by more than 1 year - impairment loss of 100% of the receivables amount is recognised.

Apart from the above general rule, the Group may also recognise impairment losses on an individual basis, when it believes that the recovery of the full amount of receivables is not likely. Such impairment losses were charged on loans and trade receivables.

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

<u>Current receivables from clients, current receivables from banks conducting brokerage activities and other brokerage houses, current liabilities to clients and current liabilities to banks conducting brokerage activities and other brokerage houses</u>

Current receivables from clients, current receivables from banks conducting brokerage activities and other brokerage houses, current liabilities to clients and current liabilities to banks conducting brokerage activities and other brokerage houses arise in connection with the executed transactions of purchase and sale of securities which have not yet been settled at the clearing house due to the transaction settlement procedure (T+3). In the case of purchase transactions on stock exchanges made to execute orders placed by clients whose accounts are kept by custodian banks, the Group recognises current liabilities towards banks conducting brokerage activities and brokerage houses (parties to the market transactions) and current receivables from the clients for whom the purchase transactions were executed. In the case of sale transactions made on stock exchanges to execute orders placed by clients whose accounts are kept by custodian banks, the Group discloses current receivables from banks conducting brokerage activities and other brokerage houses (parties to the market transactions) and current liabilities towards the clients for whom the sale transactions were executed.

9.7.2. Non-current receivables

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

9.8. Impairment losses

As at the end of each reporting period the Group evaluates whether there is any indication of impairment of an asset. Tests for three groups of assets: goodwill, intangible assets with indefinite useful lives, and intangible assets not yet available for use, are made on an annual basis, regardless of whether there is an indication of impairment. Those types of assets may be tested for impairment at any time during the year.

The following indication of possible impairment of an asset may be identified:

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

- significant changes, unfavourable for the Group, in the current or expected scope and manner of use of an asset have occurred during the period or are likely to occur in the near future,
- there is evidence, originating from internal reporting, for poorer than expected, current or future, economic performance of an asset.

9.9. Cash and cash equivalents

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

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

9.10. Equity

Equity is recognised in the accounting books broken down into its individual components and in accordance with the rules set forth in the applicable laws and in the Company's Articles of Association. Share capital is recognised in the amount specified in the Company's Articles of Association and in the relevant National Court Register entry.

Share premium account – the amount of issue proceeds in excess of the par value of the issued shares, less the share issue costs.

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

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

The Parent Undertaking is a brokerage house and as such it is obliged to meet the capital adequacy requirements set forth in the Minister of Finance's Regulation on the scope and detailed rules for determination of capital adequacy requirements and on the maximum ratio of loans and debt securities in issue to the amount of capitals. The Company's regulatory capital is the sum of Tier 1 (core) capital and Tier 2 (supplementary) capital (explained below), less the value of shares in banks, other brokerage houses, foreign investment firms, credit and financial institutions, as well as subordinated loans granted to such institutions, which are included in their respective capitals.

The core capital established for the purpose of computing regulatory capital, comprises:

– share capital and statutory reserve funds,
– other capital reserves,
– other items of core capital, i.e. retained earnings and current period's profit (loss),
– items reducing core capital, i.e. called-up capital not paid, treasury shares held by the brokerage house (valued at acquisition cost, less impairment losses), goodwill, intangible assets other than goodwill, retained deficit (including retained deficit pending approval) and loss for the current period.

Tier 2 (supplementary) capital of the brokerage house comprises:

– revaluation capital reserve created under other regulations,
– subordinated liabilities with original terms to maturity of five years or more, in the amount which is reduced at the end of each of the last five years of the agreement term by 20%,
– liabilities under securities with unspecified maturity and other financial instruments with unspecified maturity.

Capital adequacy requirements were met by the Company in the current and in the previous year.

9.11. Liabilities

9.11.1. Current liabilities

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

Current liabilities include all liabilities to clients, liabilities to related undertakings, liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses under executed transactions, liabilities to the National Depository for Securities and exchange clearing houses and liabilities to entities operating regulated securities markets, as well as all other liabilities not classified as non-current liabilities, accruals and deferred income or provisions for liabilities.

Current liabilities also include overdrafts, measured as described in item 9.6 above.

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

9.11.2. Non-current liabilities

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

9.12. Provisions

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

9.13. Accrual basis of accounting and matching principle

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

In order to match revenues to related expenses, expenses or revenues relating to future periods and expenses attributable to a given period which are yet to be incurred are posted under assets or liabilities, as applicable, of the given period. This means that expenses are accounted for on an accrual basis. Expenses not yet incurred in a given period are covered by provisions.

9.14. Revenue from core activities

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

Revenue is recognised to the extent it is probable that the Group will obtain economic benefits from a given transaction and the amount of revenue can be reliably measured. Revenue is recognised net of value added tax. The amount of revenue is measured at fair value of the consideration received or receivable.

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.

The Group’s main sources of revenue are revenue from transactions in securities executed for clients and revenue from investment banking services, including revenue from offering of securities and M&A advisory, revenue from management of investment funds, charges relating to the establishment of individual funds and issuance of investment certificates of the funds, revenue from consultancy services in the area of corporate strategy and operations, as well as from IT consultancy services.

Revenue from transactions in securities is derived from brokerage activities of IPOPEMA Securities, which acts as an intermediary in transactions executed by institutional clients on the equity market of the Warsaw and Budapest Stock Exchanges. Revenue from transactions in securities depends on the trading volume and is recognised with each executed transaction. Revenue from advisory services is recorded in line with the progress of work under an advisory mandate. Revenue derived from the management of funds is recognised in the amount specified in the funds’ articles of association or other binding document.

9.15. Gain (loss) on financial instruments

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

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

9.15.2. Gain (loss) on transactions in financial instruments held to maturity

Gain (loss) on transactions in financial instruments held to maturity includes interest, valuation adjustments, amortisation of discount on debt securities, and gain on sale/redemption. Costs related to financial instruments held to maturity include valuation adjustments, amortisation of premiums on debt securities and loss on sale/redemption.

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

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

9.16. Share-based payments

Equity-settled share-based payments to employees and other persons providing similar services are measured at the fair value of equity instruments as at the grant date.

The fair value of equity-settled share-based payments measured as at the grant date is recognised as an expense with the straight-line method during the vesting period, based on the Group's estimates regarding equity instruments to be vested. At the end of each reporting period the Group revises its estimates of the number of equity instruments to be granted. The impact of such revision, if any, is recognised in the statement of comprehensive income over the remaining grant period, with relevant adjustments made to the provision for equity-settled employee benefits.

9.17. Finance income and expenses

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

The Group classifies as finance expenses in particular: borrowing costs, interest on loans and borrowings, other interest, and foreign-exchange and financial transaction losses.

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

Borrowing costs are measured at amortised cost.

The Group capitalises borrowing costs relating to loans obtained for periods exceeding 12 months. Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that they are capitalised. Capitalised borrowing costs are recognised in the periods to which they relate.

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

9.18. Corporate income tax

9.18.1. Current income tax

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

9.18.2. Deferred income tax

For the purposes of financial reporting, the Group recognises deferred tax liability 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 financial statements.

Deferred tax liability is recognised in relation to all taxable temporary differences.

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

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

10. Net earnings per share

For each period, net earnings per share are computed as the quotient of the net profit attributable to the Parent Undertaking 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. In the Company's case, they are Series C shares which may be issued within the limit of conditional share capital in connection with the incentive scheme adopted at the Company. To date, 1,916,664 shares have been allocated to be acquired – subject to fulfilment of specified criteria – by the eligible persons. Of that number, 334,294 shares are deemed dilutive and have been included in the total number of shares for the purposes of computing diluted earnings per share. Given the low number of dilutive shares, the values of basic earnings per share and diluted earnings per share in the periods covered by these financial statements are similar.

	Dec 31 2010	Dec 31 2009
Number of shares	29,342,301	28,928,553
Weighted average number of shares	28,964,827	28,690,784
Diluted number of shares	29,299,121	28,999,944
Net earnings from continuing operations		
- basic	0.62	0.40
- diluted	0.61	0.40

11. Seasonality

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

12. Operating segments

For management purposes, the Group has been divided into separate segments based on types of products and services. Thus the following reporting operating segments exist within the Group:

1) IPOPEMA Securities segment : brokerage activities and investment banking; the segment is focused on public offerings of securities (especially shares) – in which IPOPEMA Securities acts as the coordinator, offeror and financial adviser, M&A deals 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. The segment also provides consultancy services relating to corporate financial restructuring and asset management services.

2) IPOPEMA TFI segment: mainly operation of an investment fund company, as well as creation and management of investment funds.

3) IPOPEMA Business Consulting segment: mainly business and management consulting services, computer facilities management activities, IT consultancy services and software-related activities.

Jan 1–Dec 31 2010	Continuing operations*				Discontinued operations	Total operations
	Brokerage and related services	Investment fund management	Consultancy services	Total		
Revenue						
Sales to external clients, including:	69,378	17,499	13,574	100,451	-	100,451
- to clients for each of whom the value of transactions in the period exceeds 10% of revenue	-	-	-	-	-	-
Inter-segment sales	-	-	-	-	-	-
Consolidation eliminations	-	-	-	-	-	-
Segment's total revenue	**69,378**	**17,499**	**13,574**	**100,451**	**-**	**100,451**
Segment's costs and expenses						
Segment's costs and expenses – sales to external clients	- 44,546	- 13,169	- 12,510	- 70,225	-	- 70,225
Segment's costs and expenses – sales to other segments	-	-	-	-	-	-
Consolidation eliminations	-455	-399	8	-846	-	-846
Segment's total costs and expenses	-45,001	-13,568	-12,502	-71,071	-	-71,071
Segment's profit (loss)	24,377	3,931	1,072	29,380	-	29,380
Unattributed costs	-	-	-	-	-	-
Profit (loss) on continuing operations before tax and finance expenses	24,377	3,931	1,072	29,380	-	29,380
Interest income	1,087	45	38	1,170	-	1,170
Interest expenses	- 1,011	-	-	- 1,011	-	- 1,011
Other net finance income/expenses	-5,102	1,176	-4	-3,930	-	-3,930
Other operating income/expenses	-675	-217	-	-892	-	-892
Consolidation eliminations	-	- 1,176	-	-1,176		-1,176
Profit (loss) before tax and non-controlling interests	**18,676**	**3,759**	**1,106**	**23,541**	**-**	**23,541**
Corporate income tax	-4,015	-844	-486	-5,345	-	-5,345
Consolidation eliminations	-	-	223	223		223
Total corporate income tax	-4,015	-844	-263	-5,122	-	-5,122
Net profit (loss) for the financial year	**14,661**	**2,915**	**843**	**18,419**	**-**	**18,419**
Net profit for the period (excluding costs of the incentive scheme)	***15,116***	***3,554***	***843***	***19,513***	**-**	***19,513***
Assets and liabilities as at Dec 31 2010						

Segment's assets	392,655	10,181	5,566	408,402	-	408,402
Segment's investments in subordinated undertakings valued with equity method	-	-	-	-	-	-
Other assets not attributed to segments	-	-	-	-	-	-
Total assets	**392,655**	**10,181**	**5,566**	**408,402**	**-**	**408,402**
Segment's liabilities	328,185	1,781	1,723	331,689	-	331,689
Provisions for liabilities and other provisions	6,388	817	257	7,462	-	7,462
Segment's net profit (loss)	14,661	2,915	843	18,419	-	18,419
Equity	48,963	2,104	-2,028	49,039	-	49,039
Non-controlling interests	-	-	1,793	1,793	-	1,793
Total equity and liabilities	**398,197**	**7,617**	**2,588**	**408,402**	**-**	**408,402**
Other segment-related data for period Jan 1–Dec 31 2010						
Capital expenditure, including:	1,447	117	60	1,624		1,624
Property, plant and equipment	641	105	35	781	-	781
Intangible assets	806	12	25	843	-	843
Depreciation of property, plant and equipment	400	75	55	530	-	530
Amortisation of intangible assets	447	1	21	469	-	469
Impairment losses	-	-	-	-	-	-
Other	-	-	-	-	-	-

No geographical segments are reported by the Group, as its sales revenue is generated mostly in Poland. Foreign sales revenue originates mainly in Hungary, and the value of sales to countries with equivalent risk (i.e. Hungary) does not exceed 6% of total sales revenue (PLN 5,805 thousand). The Group's property, plant, equipment, and intangible assets are located in Poland.

Jan 1–Dec 31 2009	Continuing operations *				Discontinued operations	Total operations
	Brokerage and related services	Investment fund management	Consultancy services	Total		
Revenue						
Sales to external clients, including:	55,320	8,832	6,351	70,503	-	70,503
- to clients for each of whom the value of transactions in the period exceeds 10% of revenue	-	-	-	-	-	-
Inter-segment sales	-	-	-	-	-	-
Consolidation eliminations	-	-	-	-	-	
Segment's total revenue	**55,320**	**8,832**	**6,351**	**70,503**	**-**	**70,503**
Segment's total costs and expenses						
Segment's costs and expenses – sales to external clients	-37,309	-7,025	-6,731	-51,065	**-**	-51,065
Segment's costs and expenses – sales to other segments	-	-	-	-	**-**	-
Consolidation eliminations	-465	-1,623	5	-2,083	-	-2,083
Segment's total costs and expenses	**-37,774**	**-8,648**	**-6,726**	**-53,148**	**-**	**-53,148**
Segment's profit (loss)	17,546	184	-375	17,355	-	17,355
Unattributed costs	-	-	-	-	-	-
Profit (loss) on continuing operations before tax and finance expenses	17,546	184	- 375	17,355	-	17,355
Interest income	1,468	19	44	1,531	-	1,531
Interest expenses	-982	-	-	-982	-	-982
Other net finance income/expenses	- 1,422	19	-1	-1,404	-	-1,404
Other operating income/expenses	-1,320	-95	-15	-1,430	-	-1,430
Consolidation eliminations	121	-19	-	102	-	102
Profit (loss) before tax and non-controlling interests	15,411	108	-347	15,172	-	15,172
Corporate income tax	-3,306	-314	-55	-3,675	-	-3,675
Consolidation eliminations	4	- 3	-	1		1
Total corporate income tax	-3,302	-317	-55	-3,674	-	-3,674
Net profit (loss) for the financial year	**12,109**	**-209**	**-402**	**11,498**	**-**	**11,498**
Net profit for the period (excluding costs of the incentive scheme)	***12,574***	***1,508***	***-402***	***13,680***	**-**	***13,680***

Assets and liabilities as at Dec 31 2009						
Segment's assets	377,288	4,798	3,919	386,005	-	386,005
Segment's investments in subordinated undertakings valued with equity method	-	-	-	-	-	-
Other assets not attributed to segments	-	-	-	-	-	-
Total assets	**377,288**	**4,798**	**3,919**	**386,005**	**-**	**386,005**
Segment's liabilities	328,206	1,315	928	330,449	-	330,449
Provisions for liabilities and other provisions	6,676	102	238	7,016	-	7,016
Segment's net profit (loss)	12,109	-209	-292	11,608	-	11,608
Equity	36,154	729	-1 327	35,556	-	35,556
Non-controlling interests	-	-	1,376	1,376	-	1,376
Total equity and liabilities	**383,145**	**1,937**	**923**	**386,005**	**-**	**386,005**
Other segment-related data for period Jan 1–Dec 31 2009						
Capital expenditure, including:	902	56	123	1,081		1,081
Property, plant and equipment	354	49	86	489	-	489
Intangible assets	548	7	37	592	-	592
Depreciation of property, plant and equipment	409	66	122	597	-	597
Amortisation of intangible assets	377	7	40	424	-	424
Impairment losses	-	-	-	-	-	-
Other	-	-	-	-	-	-

All segments' revenue is related to operations carried out in Poland.

13. Notes to the statement of financial position – assets

13.1. Cash and cash equivalents

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

	Dec 31 2010	Dec 31 2009
Cash in hand	10	4
Cash at banks	33,364	3,606
Other cash (short-term deposits)	55,215	38,558
Cash equivalents	10,143	5,048
Total cash	**98,732**	**47,216**
Including cash in hand and cash at banks attributed to discontinued operations	-	-

	Dec 31 2010	Dec 31 2009
Cash in PLN	87,938	47,211
Cash in EUR	9,195	3
Cash in USD	160	-
Cash (other currencies)	1,439	2
Total cash	**98,732**	**47,216**

	Dec 31 2010	Dec 31 2009
Cash and other assets	49,584	35,785
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	49,148	11,431
Cash and other assets transferred from the settlement guarantee fund	-	-
Total cash	**98,732**	**47,216**

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

Clients' cash deposited in the Parent Undertaking's bank account, in the amount of PLN 49,148 thousand as at December 31st 2010, and PLN 11,431 thousand as at December 31st 2009, is also disclosed under other cash.

Cash at banks bears interest at fixed or variable rates based on the rates applicable to overnight bank deposits.

13.2. Receivables

As at December 31st 2010, current receivables amounted to PLN 289,654 thousand (PLN 328,904 thousand as at December 31 2009).

Current receivables		Dec 31 2010	Dec 31 2009
1.	From clients / trade receivables	167,909	155,007
a)	Receivables with deferred payment dates	-	-
b)	Past due receivables and disputed claims for which no impairment losses were recognised	-	-
c)	From clients under executed transactions	162,779	147,447
	- under transactions executed on the Warsaw Stock Exchange	156,322	147,447
	- under transactions executed on the Budapest Stock Exchange	6,457	-
d)	Other	5,130	7,560
2.	From related undertakings	707	-
3.	From banks conducting brokerage activities, other brokerage houses and commodity brokerage houses	94,211	137,752
a)	Under executed transactions	94,211	137,752
	- transactions on the Warsaw Stock Exchange	87,912	137,752
	- transactions on the Budapest Stock Exchange	6,299	-
	- transactions on over-the-counter market	-	-
b)	Other	-	-
4.	From entities operating regulated markets and commodity exchanges	9	16
5.	From the National Depository for Securities and exchange clearing houses	21,048	32,669
	- from the settlement guarantee fund	21,048	32,669
6.	From investment and pension fund companies and from investment and pension funds	4,349	1,439
7.	From issuers of securities or selling shareholders	52	-
8.	From commercial chamber	-	-
9.	Taxes, subsidies and social security receivable	1,075	370
10.	Under court proceedings, not covered by recognised impairment losses on receivables	-	-
11.	Other	294	1,651
Total current receivables		**289,654**	**328,904**

Current receivables and liabilities are recognised predominantly in connection with the executed buy and sell transactions in securities, not yet settled at the clearing house. In the case of buy trades executed on a stock exchange on behalf of clients whose accounts are maintained by custodian banks, the Group recognises liabilities towards the parties to market transactions (banks conducting brokerage activities and brokerage houses, known as the anonymous party to a transaction) and receivables from the clients on behalf of whom such buy trades have been executed. In the case of sell trades executed on a stock exchange on behalf of clients whose accounts are maintained by custodian banks, the Group recognises receivables from the parties to market transactions and liabilities towards the clients on behalf of whom such sell trades have been executed.

Impairment losses reduce the carrying value of the impaired receivables.

Gross current receivables by currency	Dec 31 2010	Dec 31 2009
a) in PLN	278,141	330,903
b) in other currencies (translated into PLN)	13,906	251
Total gross current receivables	**292,047**	**331,154**

13.2.1. Receivables by maturity

Current and non-current receivables by maturity as from the end of the reporting period	Dec 31 2010	Dec 31 2009
a) up to 1 month	284,212	323,901
b) over 1 month to 3 months	1,002	1,342
c) over 3 months to 1 year	1,346	3,219
d) over 1 year to 5 years	493	111
e) over 5 years	-	-
f) past due	5,487	2,692
Total gross receivables	**292,540**	**331,265**
g) impairment losses on receivables (negative value)	-2,393	-2,250
Total net receivables	**290,147**	**329,015**

Gross past due receivables by period of delay:	Dec 31 2010	Dec 31 2009
a) up to 1 month	1,716	338
b) over 1 month to 3 months	331	262
c) over 3 months to 1 year	1 497	365
d) over 1 year to 5 years	1,943	1,727
e) over 5 years	-	-
Total gross receivables	**5,487**	**2,692**
g) impairment losses on receivables (negative value)	-2,393	-2,250
Total net receivables	**3,094**	**442**

13.3. Current prepayments and accrued income

	Dec 31 2010	Dec 31 2009
a) prepayments, including:	768	500
cost of information service	140	14
administrative costs and expenses of funds	357	99
input VAT to be settled in 2010	16	64
membership fees	52	103
expenses to be re-invoiced	5	56
other	198	164
b) other prepayments and accrued income, including:	-	-
revenue invoiced in subsequent period	-	-
Total prepayments and accrued income	**768**	**500**

13.4. Financial instruments held for trading

	Dec 31 2010	Dec 31 2009
- equities	8,827	4,293
- derivative instruments (futures, options)	25	52
Total financial instruments held for trading	**8,852**	**4,345**

All the financial instruments held for trading by the Group as at December 31st 2010 and as at December 31st 2009 are traded in PLN and were acquired in PLN.

The value of financial instruments held for trading at acquisition price was PLN 8,974 thousand as at December 31st 2010, compared to PLN 4,117 thousand as at December 31st 2009. The value of financial instruments held for trading as at the end of the reporting periods was, respectively, PLN -121 thousand and PLN 228 thousand.

13.5. Financial instruments available for sale

As at December 31st 2010, the value of financial instruments available for sale held by the Group amounted to PLN 2,157 thousand, compared to PLN 420 thousand as at December 31st 2009. The financial instruments available for sale include investment certificates and investment fund units of PLN 2,150 thousand as at

December 31st 2010 (PLN 412 thousand as at December 31st 2009), and shares in an unconsolidated subsidiary undertaking in the amount of PLN 7 thousand (2009: PLN 8 thousand).

In 2010 and 2009, there were no impairment losses on financial instruments available for sale.

13.6. Property, plant and equipment

As at December 31st 2010

MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Tangible assets under construction	TOTAL
a) Gross value of property, plant and equipment at beginning of period	**-**	**43**	**2,482**	**-**	**459**	**247**	**3,231**
b) Increase, including:	**-**	**43**	**738**	**-**	**-**	**-**	**781**
- purchase	**-**	**43**	**728**	**-**	**-**	**-**	**771**
- transfer from investments		**-**	**3**	**-**	**-**	**-**	**3**
- other	**-**	**-**	**7**	**-**	**-**	**-**	**7**
c) Decrease, including:	**-**	**-**	**76**	**-**	**4**	**245**	**325**
- liquidation	-	-	76	-	-	-	76
- reclassification to another category		-	-	-	4	245	249
d) Gross value of property, plant and equipment at end of period	**-**	**86**	**3,144**	**-**	**455**	**2**	**3,687**
e) Accumulated depreciation at beginning of period	**-**	**11**	**1,453**	**-**	**191**	**-**	**1,655**
f) Depreciation for period, including:	**-**	**25**	**407**	**-**	**28**	**-**	**460**
- annual depreciation charge	**-**	**25**	**478**	**-**	**28**	**-**	**531**
- liquidation	**-**	**-**	**71**	**-**	**-**	**-**	**71**
g) Accumulated depreciation at end of period	**-**	**36**	**1,860**	**-**	**219**	**-**	**2,115**
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	**-**	**32**	**1,029**	**-**	**268**	**247**	**1,576**
k) Net value of property, plant and equipment at end of period	**-**	**50**	**1,284**	**-**	**236**	**2**	**1,572**

As at December 31st 2009

MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT	Land	Buildings and structures	Plant and equipment	Vehicles	Other tangible assets	Tangible assets under construction	TOTAL
a) Gross value of property, plant and equipment at beginning of period	**-**	**43**	**2,279**	**-**	**419**	**-**	**2,741**
b) Increase, including:	**-**	**-**	**203**	**-**	**40**	**301**	**544**
- purchase	**-**	-	157	**-**	32	301	490
- transfer from investments			46		8	-	54
c) Decrease, including:	**-**	**-**	**-**	**-**	**-**	**54**	**54**
- reclassification to another category						54	54
d) Gross value of property, plant and equipment at end of period	**-**	**43**	**2,482**	**-**	**459**	**247**	**3,231**
e) Accumulated depreciation at beginning of period	**-**	**6**	**903**	**-**	**149**	**-**	**1,058**
f) Depreciation for period, including:	**-**	**5**	**550**	**-**	**42**	-	**597**

- annual depreciation charge	-	5	550	-	42	-	597
g) Accumulated depreciation at end of period	**-**	**11**	**1,453**	**-**	**191**	**-**	**1,655**
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	**-**	**37**	**1,376**	**-**	**270**	**-**	**1,683**
k) Net value of property, plant and equipment at end of period	**-**	**32**	**1,029**	**-**	**268**	**247**	**1,576**

13.6.1. Impairment losses

In 2010 and 2009, the Group did not identify any impairment of its assets.

13.7. Intangible assets

As at December 31st 2010

MOVEMENTS IN INTANGIBLE ASSETS (BY CATEGORY)	Cost of completed development work	Goodwill	Acquired permits, patents, licences and similar assets	Computer software	CO_2 emission allowances	Other intangible assets	TOTAL
a) Gross value of intangible assets at beginning of period	**-**	**-**	**13**	**3,344**	**-**	**-**	**3,357**
b) Increase, including:	**-**	**-**	**24**	**818**	**-**	**-**	**842**
- purchase	-	-	**24**	818	-	-	842
c) Decrease, including:	**-**	**-**	**-**	**-**	**-**		**-**
d) Gross value of intangible assets at end of period	**-**	**-**	**37**	**4,162**	**-**		**4,199**
e) Accumulated amortisation at beginning of period	**-**	**-**	**7**	**1,864**	**-**	**-**	**1,871**
f) Amortisation for period, including:	**-**	**-**	**21**	**447**	**-**	**-**	**468**
- amortisation (annual charge)	-	-	**21**	447	-	-	468
g) Accumulated amortisation at end of period	**-**	**-**	**28**	**2,311**	**-**	**-**	**2,339**
h) Impairment losses at beginning of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
i) Impairment losses at end of period	**-**	**-**	**-**	**-**	**-**	**-**	**-**
j) Net value of intangible assets at beginning of period	**-**	**-**	**6**	**1,480**	**-**	**-**	**1,486**
k) Net value of intangible assets at end of period	**-**	**-**	**9**	**1,851**	**-**	**-**	**1,860**

As at December 31st 2009

MOVEMENTS IN INTANGIBLE ASSETS (BY CATEGORY)	Cost of completed development work	Goodwill	Acquired permits, patents, licences and similar assets	Computer software	CO_2 emission allowances	Other intangible assets	TOTAL
a) Gross value of intangible assets at beginning of period	**-**	**-**	**-**	**2,765**	**-**	**-**	**2,765**
b) Increase, including:	**-**	**-**	**13**	**579**	**-**	**-**	**592**
- purchase	- -	-	13 -	579	-	-	592
c) Decrease, including:	**-**	**-**	**-**	**-**	**-**	**-**	
d) Gross value of intangible assets at end of period	**-**	**-**	**13**	**3,344**	**-**	**-**	**3,357**
e) Accumulated amortisation at beginning of period	**-**	**-**	**-**	**1,447**	**-**	**-**	**1,447**
f) Amortisation for period, including:	**-**	**-**	**7**	**417**	**-**	**-**	**424**
- amortisation (annual charge)	-	-	7	417	-	-	424
- liquidation	-	-	-		-	-	
- sale	-	-	-		-	-	
g) Accumulated amortisation at end of period	**-**	**-**	**7**	**1,864**	**-**	**-**	**1,871**
h) Impairment losses at beginning of period	**-**	**-**	**-**		**-**	**-**	
i) Impairment losses at end of period	**-**	**-**	**-**		**-**	**-**	
j) Net value of intangible assets at beginning of period	**-**	**-**	**-**	**1,318**	**-**	**-**	**1,318**
k) Net value of intangible assets at end of period	**-**	**-**	**6**	**1,480**	**-**	**-**	**1,486**

13.7.1. Purchases and sales

In 2010, the Group purchased intangible assets valued at PLN 842 thousand (PLN 592 thousand in 2009). Both in 2010 and 2009, the Group did not sell any intangible assets.

13.7.2. Impairment losses

In 2010 and 2009, the Group did not identify any impairment of its assets.

13.7.3. Amortisation of intangible assets

Amortisation of intangible assets is recognised in costs of core activities under Amortisation. Amortisation totalled PLN 468 thousand in 2010, and PLN 424 thousand in 2009.

The Group does not hold any internally generated intangible assets.

14. Notes to the statement of financial position – equity

14.1. Share capital

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

As at December 31st 2010, the registered share capital amounted to PLN 2,934,230.10 and comprised 29,342,301 shares.

As at December 31st 2009, the registered share capital amounted to PLN 2,892,855.30 and comprised 28,928,553 shares.

Parent Undertaking's shareholder structure as at December 31st 2010:

Shareholder	Number of shares and votes at GM	Series	Amount of contributions	Value of shares subscribed for (PLN)
IPOPEMA 10 FIZAN fund [1]	2,851,420	A	Shares fully paid up	285 142
IPOPEMA PRE-IPO FIZAN fund [2]	2,851,120	B	Shares fully paid up	285 112
KL Lewandowska S.K.A. [3]	2,749,500	B	Shares fully paid up	274 950
JLK Lewandowski S.K.A. [4]	2,729,000	B	Shares fully paid up	272 900
JLS Lewandowski S.K.A. [4]	2,729,000	B	Shares fully paid up	272 900
PZU OFE *	2,251,346	[6]	Shares fully paid up	225,135
TFI Allianz Polska S.A. [5] **	1,708,844	[6]	Shares fully paid up	170,884
Total shareholders holding more than 5% of the share capital	**17,870,230**			**1,787,023**

** Based on the annual report of OFE PZU Złota Jesień.*

*** Based on notifications received by the Company from the shareholders.*

[1] The only investor in the fund is Stanisław Waczkowski, Vice-President of the Company's Management Board.

[2] The main investors in the fund are Jacek Lewandowski, President of the Company's Management Board, and Katarzyna Lewandowska.

[3] A subsidiary undertaking of Katarzyna Lewandowska; Katarzyna Lewandowska also holds 498 shares, representing less than 0.01% of all Company shares.

[4] A subsidiary undertaking of Jacek Lewandowski, President of the Company's Management Board; Jacek Lewandowski also holds 860 shares, representing less than 0.01% of all Company shares.

[5] Shares held by the funds Allianz Platinium FIZ and Allianz FIO.

[6] All Company shares are registered with the National Depository for Securities under the same ISIN code, therefore, it is not possible to identify the series of shares held by the shareholders that acquired them on the stock exchange.

Parent Undertaking's shareholder structure as at the date of these consolidated financial statements:

Shareholder	Number of shares and votes at GM	Series	Amount of contributions	Value of shares subscribed for (PLN)
IPOPEMA 10 FIZAN fund [1]	2,851,420	A	Shares fully paid up	285,142
IPOPEMA PRE-IPO FIZAN fund [2]	2,851,120	B	Shares fully paid up	285,112
KL Lewandowska S.K.A. [3]	2,749,500	B	Shares fully paid up	274,950
JLK Lewandowski S.K.A. [4]	2,729,000	B	Shares fully paid up	272 900
JLS Lewandowski S.K.A. [4]	2,729,000	B	Shares fully paid up	272,900
PZU OFE *	2,251,346	[6]	Shares fully paid up	225,135
TFI Allianz Polska S.A. [5] *	1,922,383	[6]	Shares fully paid up	192,238
Total shareholders holding more than 5% of the share capital	**18,083,769**			**1,808,377**

** Based on the annual report of OFE PZU Złota Jesień.*
*** Based on notifications received by the Company from the shareholders.*
[1] The only investor in the fund is Stanisław Waczkowski, Vice-President of the Company's Management Board.
[2] The main investors in the fund are Jacek Lewandowski, President of the Company's Management Board, and Katarzyna Lewandowska.
[3] A subsidiary undertaking of Katarzyna Lewandowska; Katarzyna Lewandowska also holds 498 shares, representing less than 0.01% of all Company shares.
[4] A subsidiary undertaking of Jacek Lewandowski, President of the Company's Management Board; Jacek Lewandowski also holds 860 shares, representing less than 0.01% of all Company shares.
[5] Shares held by the funds Allianz Platinium FIZ and Allianz FIO.
[6] All Company shares are registered with the National Depository for Securities under the same ISIN code, therefore, it is not possible to identify the series of shares held by the shareholders that acquired them on the stock exchange.

Parent Undertaking's shareholder structure as at December 31st 2009:

Shareholder	Number of shares	Series	Amount of contributions	Value of shares subscribed for (PLN)
Manchester Securities Corp.	3,714,280	B	Shares fully paid up	371,428
IPOPEMA 10 FIZAN [1]	2,851,420	A	Shares fully paid up	285,142
IPOPEMA PRE-IPO FIZAN [2]	2,851,120	B	Shares fully paid up	285,112
KL Lewandowska S.k.a. [3]	2,749,500	B	Shares fully paid up	274,950
JLK Lewandowski S.k.a. [4]	2,729,000	B	Shares fully paid up	272,900
JLS Lewandowski S.k.a. [4]	2,729,000	B	Shares fully paid up	272,900

MJM Inwestycje Piskorski S.K.A. [5]	1,285,713	A	Shares fully paid up	128,571
Futuro Capital Borys S.K.A. [6]	928,571	A	Shares fully paid up	92,857
Stanisław Waczkowski	291,435	A	Shares fully paid up	29,143
Dominium Inwestycje Kryca S.K.A. [7]	285,714	A, B	Shares fully paid up	28,571
JL S.A. [4]	11,447	A	Shares fully paid up	1,145
Jacek Lewandowski	860	B	Shares fully paid up	86
Other shareholders *[8]	8,500,493	A, B, C	Shares fully paid up	850,049

** Other shareholders hold, directly or indirectly through subsidiaries, less than 5% of the total vote at the Company's General Shareholders Meeting.*

[1] The only investor in IPOPEMA 10 FIZAN is Stanisław Waczkowski.
[2] The investors in IPOPEMA PRE-IPO FIZAN are Jacek Lewandowski and Katarzyna Lewandowska.
[3] A subsidiary undertaking of Katarzyna Lewandowska; Katarzyna Lewandowska also holds 498 shares, representing less than 0.01% of all Company shares (the shareholding is disclosed under other shareholders).
[4] A subsidiary undertaking of Jacek Lewandowski.
[5] A subsidiary undertaking of Mariusz Piskorski.
[6] A subsidiary undertaking of Mirosław Borys.
[7] A subsidiary undertaking of Bogdan Kryca.
[8] Other shareholders, including the Company's employees or their subsidiary or related undertakings.

In 2010, the Parent Undertaking's share capital was increased by PLN 41 thousand through the issue of new ordinary shares with a par value of PLN 0.10 per share. As at December 31st 2010, the share capital amounted to PLN 2,934 thousand (as at December 31st 2009: PLN 2,893 thousand) and comprised:

- 7,000,000 Series A ordinary bearer shares,
- 21,571,410 Series B ordinary bearer shares, and
- 770,891 Series C ordinary bearer shares.

In February 2011, 212,500 Series C ordinary registered shares were subscribed for under the Incentive Scheme implemented at the Company. The shares had been issued within the limit of conditional share capital, from a pool of shares representing Share Option Plan II.

In 2009, the share capital of the Parent Undertaking was increased by PLN 36 thousand through the issue of new ordinary shares with a par value of PLN 0.10 per share. As at December 31st 2009, the share capital amounted to PLN 2,893 thousand (as at December 31st 2008: PLN 2,857 thousand) and comprised:

- 7,000,000 Series A ordinary bearer shares,
- 21,571,410 Series B ordinary bearer shares, and
- 357,143 Series C ordinary bearer shares.

The share capital increase was connected with the subscription for Series C new issue shares by three members of IPOPEMA TFI's management board in November 2010 and September 2009. The shares were issued within the limit of conditional share capital for the purposes of the Incentive Scheme implemented at the Company (from the total pool of 1,166,667 shares representing Share Option Plan I addressed to members of IPOPEMA TFI's management board (see Note 17.1).

Share par value

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

Shareholder rights

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

14.2. Other capital reserves

Statutory reserve funds

Statutory reserve funds have been created from the share premium reduced by the share issue costs. As at December 31st 2010, the share premium account less the issue costs amounted to PLN 7,433 thousand (as at December 31st 2009: PLN 7,280 thousand).

Revaluation capital reserve

This item comprises effects of fair value measurement of financial assets available for sale. As at December 31st 2010, the revaluation capital reserve stood at PLN 972 thousand, relative to PLN -32 thousand as at December 31st 2009.

Other capital reserves

Other capital reserves have been created in connection with the incentive scheme and a change in the value of shares in a subsidiary undertaking (dilution of shares in IBC related to the investment agreement referred to in Note 2). As at December 31st 2010, other capital reserves amounted to PLN 2,565 thousand, compared with PLN 1,471 thousand as at December 31st 2009.

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 the end of the reporting period, the statutory reserve funds amounted to PLN 978 thousand, compared with PLN 964 thousand as at December 31st 2009.

Retained earnings	**Dec 31 2010**	**Dec 31 2009**
Retained earnings/deficit	10,738	-1,018
Net profit/loss for period	18,002	11,756
Aggregate capital adjustments resulting from transition to IAS/IFRS	24,814	24,814
Total retained earnings	**53,554**	**35,552**

Dividend

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

14.3. Non-controlling interests

As at December 31st 2010, non-controlling interests amounted to PLN 1,793 thousand (as at December 31st 2009: PLN 1,376 thousand).

14.4. Capital adequacy requirements

IPOPEMA Securities, the Parent Undertaking, is a brokerage house and as such it is obliged to meet the capital adequacy requirements set forth in the Minister of Finance’s Regulation on the scope and detailed rules for determination of capital adequacy requirements and on the maximum ratio of loans and debt securities in issue to the amount of capitals.

IPOPEMA Securities S.A. meets the conditions to be recognised as an EU parent investment firm, therefore, in addition to the capital adequacy requirements on a separate basis, the Company is also obliged to meet the capital adequacy requirements on a consolidated basis.

2010 was the first year in which the Company was subject to capital adequacy requirements on a consolidated basis.

In the period covered by these financial statements, the Company did not record any instances of non-compliance with the capital adequacy requirements on a separate or consolidated basis.

As disclosed in the report on consolidated capital adequacy requirements submitted to the Polish Financial Supervision Authority, as at December 31st 2010 the Company's consolidated regulatory capital amounted to PLN 59,141 thousand.

The tables below present semi-annual data on the regulatory capital and capital adequacy requirements.

Date	Consolidated core capital	Consolidated Tier 2 (supplementary) capital	Consolidated Tier 3 (supplementary) capital	Items adjusting consolidated regulatory capital	Total consolidated regulatory capital	Total consolidated capital adequacy requirement
June 30th 2010	46,061	784	-	1,701	48,546	40,629
Dec 31 2010	56,380	968	-	1,793	59,141	21,686

Capital adequacy requirements by type of risk

Date	Market risk	Credit risk	Operational risk	Total consolidated capital adequacy requirement
June 30th 2010	435	31,043	9,151	40,629
Dec 31 2010	284	12,713	8,689	21,686

In 2010, the following items amounted to PLN 0:

- shares in banks, other brokerage houses, foreign investment firms, credit and financial institutions;

- subordinated loans advanced to banks, other brokerage houses, foreign investment firms, credit and financial institutions, included in their equity;

- requirement with respect to exceeding the exposure concentration limit and large exposure limit.

In accordance with the Regulation of the Minister of Finance on the scope and detailed rules for determination of total capital adequacy requirement, including individual capital adequacy requirements, for brokerage houses and on the maximum ratio of loans and debt securities in issue relative to the amount of capitals, dated November 18th 2009, applicable since 2010, the obligation to calculate the capital adequacy requirement for fixed operating costs arises only if an entity does not calculate the capital adequacy requirement for operational risk.

15. Notes to the Statement of Financial Position – Liabilities and Provisions

15.1. Provisions

15.1.1. Change in provisions

	2010	2009
As at beginning of the reporting period	**7,016**	**2,926**
Provisions created during the financial year	12,797	10,811
Provisions used	11,814	6,686
Provisions released	577	35
As at end of the reporting period	**7,422**	**7,016**

15.1.2. As at end of the reporting period

	Dec 31 2010	Dec 31 2009
Employee benefits*	6,516	6,271
Other	254	534
Deferred income tax	652	211
Total	**7,422**	**7,016**

** 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 makes provisions according to its best knowledge at the time of preparing the financial statements. The amounts and time of use of the provisions are subject to uncertainty. The provision for bonuses will be used within 12 months from the end of the reporting period. The provision for paid annual leaves is made as at the end of the reporting period, but the timing of cash outflow under the provision is difficult to predict. The provision is used upon termination of employment relationship with an employee. Other provisions are current provisions, i.e. the cash outflow is expected to occur within several months from the end of the reporting period.

15.2. Provisions for court proceedings, fines and damages

In the periods covered by these financial statements the Company was not a defendant in any court proceedings. On January 13th 2009, IPOPEMA Securities S.A. filed with the Regional Court a suit for payment of past due receivables. Impairment losses were recognised for the full amount of the receivables, i.e. PLN 891 thousand.

15.3. Liabilities (current)

Current liabilities	Dec 31 2010	Dec 31 2009
To clients	120,470	142,003
To related undertakings	-	9
To banks conducting brokerage activities, other brokerage houses and commodity brokerage houses	190,456	169,404
a) under executed transactions	190,456	169,404
b) other	-	-
To entities operating regulated securities markets and commodity exchanges	758	698
To the National Depository for Securities and exchange clearing houses	2,159	1,570
To commercial chamber	-	-
To issuers of securities or selling shareholders	-	-
Loans and borrowings	7,481	13,547
a) from related undertakings	-	-
b) other	7,481	13,547
Debt securities	-	-
Liabilities under promissory notes	-	-
Taxes, customs duties and social security payable	847	1,066
Salaries and wages	2	1
To investment and pension fund companies and to investment and pension funds	535	860
Under framework securities lending and short sale agreements	-	-
Special accounts	-	-
Other costs	8,981	1,291
a) dividends payable	-	-
b) other	8,981	1,291
- financial liabilities (valuation of futures contracts)*	98	75
- other liabilities	8,883	1,216
Total current liabilities	**331,689**	**330,449**

** Methods of valuation of financial liabilities (valuation of futures contracts) are described in Note 9.6.*

Terms and conditions of related-party transactions are presented in Note 24.1.

With the exception of loans specified in Note 15.3.2, the liabilities do not bear interest.

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 2010	Dec 31 2009
Liabilities under executed stock-exchange transactions, including:	190,456	169,404
- transactions on the Warsaw Stock Exchange	178,597	169,404
- transactions on the Budapest Stock Exchange	11,859	
Liabilities under transactions executed on over-the-counter market	-	-
Other	-	-
Liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses	**190,456**	**169,404**

Gross current liabilities (by currency)	Dec 31 2010	Dec 31 2009
a) in PLN	316,535	330,261
b) in other currencies (translated into PLN)	15,154	188
Total current liabilities	**331,689**	**330,449**

15.3.1. Maturity structure of liabilities

Maturity of (current and non-current) liabilities as from the end of the reporting period	Dec 31 2010	Dec 31 2009
a) up to 1 month	330,977	329,547
b) over 1 month to 3 months	537	827
c) over 3 months to 1 year	-	-
d) over 1 year to 5 years	-	-
e) over 5 years	-	-
f) past due	175	75
Total liabilities	**331,689**	**330,449**

15.3.2. Interest-bearing bank loans and borrowings

Current liabilities under loans and borrowings	Dec 31 2010	Dec 31 2009
a) bank loan	7,481	13,547
- outstanding amount	7,481	13,547
Current liabilities under loans and borrowings	**7,481**	**13,547**

As at December 31st 2010, the Parent Undertakings's liabilities under loans related to its brokerage business amounted to PLN 7,481 thousand, compared with PLN 13,547 thousand as at December 31st 2009. The liabilities result from two working-capital overdraft facility agreements executed on July 22nd 2009 with Alior Bank S.A. to finance the payment of liabilities to the Polish National Depository for Securities. The original term of the agreements was one year, however, under the Annex of July 21st 2010 the term was extended until July 20th 2011.

1. Agreement providing for a revolving credit facility of up to PLN 10m. The purpose of the facility is to finance the payment of the Company's liabilities to the Polish National Depository for Securities in respect of the clearing 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 and a power of attorney to the bank accounts held with the Bank.
2. Agreement providing for a revolving credit facility of up to PLN 30m. The purpose of the facility is to finance the payment of the Company's liabilities resulting from its membership in the Stock-Exchange Transactions Settlement Guarantee Fund operated by the Polish NDS. The facility is secured with a blank promissory note with a promissory note declaration, a power of attorney to the bank accounts held with the Bank, and a block on a term deposit of PLN 5m placed with the Bank (PLN 10m from July 21st 2010 to July 20th 2011).

Interest on loans and borrowings pertains only to current loans and has been paid in full.

As no evidence of impairment of loans and borrowings was identified in 2010 and 2009, the Group did not recognise any impairment losses on loans and borrowings.

16. Notes to the statement of comprehensive income

16.1. Revenue from core activities

Revenue from core activities	2010	2009
Revenue from trading in securities	51,335	41,862
Revenue from investment banking services	17,052	13,006
Revenue from management of investment funds	17,499	8,832
Revenue from advisory services	13,574	6,351
Other revenue from core activities	991	452
Total revenue from core activities	**100,451**	**70,503**

Custody services	2010	2009
Revenue from custody services	17,499	7,866
Costs associated with custody services	4,786	1,723

Custody services include fund management services and maintenance of securities accounts.

16.2. Costs of core activities

Costs of core activities	2010	2009
Affiliation	-	-
Fees payable to regulated securities markets, commodity exchanges, the National Depository for Securities and exchange clearing houses	12,169	9,855
Fees payable to commercial chamber	-	17
Salaries and wages	34,707	29,255
Social security	1,217	1,160
Employee benefits	243	249
Materials and energy used	588	950
Costs of maintenance and lease of buildings	1,562	1,377
Other costs by type	-	-
Depreciation and amortisation	999	1,021
Taxes and other public charges	1,269	1,030
Other costs	18,317	8,234
Total costs of core activities	**71,071**	**53,148**

16.2.1. Costs of employee benefits

Costs of employee benefits (specification)	2010	2009
Salaries and wages	33,613	27,073
Social security and other benefits	1,217	1,160
Costs of future benefits (provisions) related to retirement severance pays, length-of-service awards and other similar employee benefits	-	-
Costs of share-based payment plan	1,094	2,182
Other costs of employee benefits	243	249
Total costs of employee benefits	**36,167**	**30,664**

16.3. Finance income and expenses

Other finance income	2010	2009
1. Interest on loans advanced	61	-
2. Interest on term and other deposits, including:	1,024	1,531
a) from related undertakings	-	-
b) other	1,024	1,531
3. Other interest	86	-
4. Foreign exchange gains	5	27
5. Other	823	424
Total finance income	**1,999**	**1,982**

Other finance expenses	2010	2009
1. Interest on loans and borrowings, including:	**1,009**	**982**
a) to related undertakings	-	-
b) other	1,009	982
2. Other interest	**2**	**-**
3. Foreign exchange losses	**226**	**30**
a) realised	171	1
b) unrealised	55	29
4. Other	**3,602**	**942**
Total finance expenses	**4,839**	**1,954**

In 2010 and 2009, the capitalisation rate was 0%. The Group did not capitalise borrowing costs.

16.4. Gains (losses) on financial instruments held for trading

In 2010, losses on financial instruments held for trading amounted to PLN -2,107 thousand, relative to PLN -880 thousand in 2009. The result includes dividend income of PLN 115 thousand in 2010 and PLN 87 thousand in 2009.

16.5. Operating income and expenses

Other operating income	2010	2009
a) gains on disposal of property, plant and equipment and intangible assets	-	-
b) released provisions	68	-
c) reversed impairment losses on receivables	221	120
d) other, including:	165	2
- VAT adjustment	-	-
- other	165	2
Total other operating income	**454**	**122**

Other operating expenses	**2010**	**2009**
a) loss on disposal of property, plant and equipment and intangible assets	-	-
b) impairment losses on property, plant and equipment and intangible assets	-	-
c) impairment losses on receivables	363	1,144
d) other, including:	983	309
- membership fees	32	14
- donations	10	250
- receivables written-off	416	-
- other	525	45
Total other operating expenses	**1,346**	**1,453**

17. Employee benefits

17.1. Employee share option plans

On March 23rd 2009, by virtue of a resolution, the Company's Management Board adopted the Rules of the Incentive Scheme (as amended), which were also subsequently approved by the Company's Supervisory Board. The Rules were adopted as a result of a resolution passed by the Extraordinary General Shareholders Meeting on December 5th 2007 (and amended by a resolution of March 20th 2009) concerning implementation of an incentive scheme for the key employees of the Company and its subsidiary, IPOPEMA TFI, as well as other persons of key importance to the execution of the IPOPEMA Group's strategy. The scheme is based on Series C shares in the Company, which can be issued within the limit of conditional share capital, in a maximum number of 4,857,140 shares, on or before November 30th 2017. The scheme is equity-settled.

There are three Option Plans within the Incentive Scheme. The first one applies to members of the management board of IPOPEMA TFI S.A., entitled (subject to fulfilment of certain conditions) to subscribe for the total of 1,166,667 Series C shares at the issue price of PLN 0.47 per share ("Share Option Plan I"). In 2009 and 2010, a total of 770,891 shares were subscribed for by these persons (357,143 in 2009, and 413,748 in 2010). The final settlement will take place in 2011, based on 2010 results. However, as not all required conditions have been fulfilled, Share Option Plan I will no longer be continued.

The remaining persons participating in the Incentive Scheme are entitled to subscribe for a total of 714,285 Series C shares, as part of Share Option Plan II, at issue price equal to the price of Company shares in the private placement preceding the listing on the Warsaw Stock Exchange, that is PLN 5. The first 212,500 shares tranche under Share Option Plan II was subscribed for by the eligible persons in February 2011, while the last tranche is to be offered by January 2014. Following revision of the criteria required to subscribe for the shares, currently the number of shares to be subscribed for in the above period, by persons entered in the list of eligible persons prepared by the Management Board, totals 607,142 (including 212,500 shares subscribed for in February 2011).

The list of persons eligible to subscribe for the remainder of the Series C shares, that is 2,976,188 shares ("Share Option Plan III") has not yet been determined, neither have any decisions been made as to whether such shares will be offered.

In connection with the transition to financial reporting compliant with the International Financial Reporting Standards, it was necessary to account for the effect of valuation of the option plans implemented by the Group in the financial statements of IPOPEMA Securities S.A. and IPOPEMA TFI S.A. At the consolidated level, in 2010 the total costs related to the share option plans increased the cost of salaries and wages by PLN 1,094 thousand, of which PLN 639 thousand was allocated to IPOPEMA TFI S.A. The remainder (PLN 455 thousand), which includes also the valuation of options covered by the agreements executed in 2006 between the then sole shareholder of the Company and some of the Company's current employees and members of the Management and Supervisory Boards, was charged to IPOPEMA Securities S.A. In performance of the above-mentioned agreements, the eligible persons acquired existing Company shares. Given that certain conditions which had to be fulfilled remained valid in the period covered by these financial statements, the cost resulting from the valuation of the above options was charged to the consolidated result of the Group in 2009. Despite the fact that the Parent Undertaking was not a party to the acquisition transactions, and thus did not issue any new shares, pursuant to the adopted accounting standards the cost should be allocated to the issuer.

In 2009, the total costs related to the share option plans increased the cost of salaries and wages by PLN 2,182 thousand, of which PLN 1,717 thousand was allocated to IPOPEMA TFI S.A. The remainder (PLN 465 thousand), which includes also the valuation of options covered by the agreements executed in 2006 between the then sole shareholder of the Company and some of the Company's current employees and members of the Management and Supervisory Boards, was charged to IPOPEMA Securities S.A.

The option plans were valued using the Black-Scholes model, adjusted by continuous yield dividend and the dilution effect (decrease in the value of individual shares as a result of issuing new shares at a price below market).

18. Dividends paid and proposed

In 2010, the Group companies did not pay out dividend.

On September 31st 2009, IPOPEMA Securities S.A. paid out dividend for 2008. The dividend record date was set for September 15th 2009. In accordance with Resolution No. 6 of the General Shareholders Meeting, an amount of PLN 10m was allocated for dividend payment, i.e. PLN 0.35 per share. However, as the number of shares carrying the right to dividend increased to 28,928,553 following the registration of 357,143 Series C shares with the National Depository for Securities on September 8th 2009, the following changes occurred:

- the dividend per share fell from PLN 0.35 to PLN 0.34; and

- the total amount of dividend fell from PLN 10m to PLN 9,836 thousand.

In accordance with Resolution No. 6 of the Company's Annual General Shareholders Meeting of June 30th 2009, the difference of PLN 164 thousand (and the balance of the 2008 profit, amounting to PLN 2,499 thousand) was allocated to the Company's statutory reserve funds.

Until the preparation of these consolidated financial statements, no final decision was taken by the Parent Undertaking's Management Board concerning the recommended distribution of the 2010 profit. Any relevant decisions will be taken at a later date, however not later than by the date of convening of the General Shareholders Meeting, which pursuant to the Commercial Companies Code must be held within six months from the end of a given financial year.

19. Corporate income tax

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

	For the year ended Dec 31 2010	For the year ended Dec 31 2009
Current income tax		
Current income tax expense	4,946	4,154
Deferred income tax		
Relating to occurrence and reversal of temporary differences	176	-590
Deferred income tax affecting equity	236	-1
Income tax expense disclosed in the statement of comprehensive income	**5,358**	**3,563**

Tax settlements

Tax settlements and other regulated areas of activity are subject to inspection by administrative authorities, which are authorised to impose significant penalties 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 better developed 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 for the Group.

The table below sets forth the reconciliation of corporate income tax on pre-tax profit/loss, computed at the statutory tax rate, with corporate income tax computed at the effective tax rate:

	2010	2009
Pre-tax profit (loss)	23,541	15,172
Consolidation adjustments and profit (loss) of IBC (subsidiary undertaking)	2,335	2,537
Pre-tax profit (loss) on continuing operations	25,876	17,709
Pre-tax profit (loss) on discontinued operations	-	-
Pre-tax profit (loss) on continuing and discontinued operations	25,876	17,709
Adjustments related to current income tax brought forward	-11,605	-3,144
Tax losses in connection which no deferred tax asset was recognised	-	-
Use of tax losses not recognised previously	-375	-679
Deductions from income	-	-250
Non-tax-deductible costs	14,870	8,555
Deductible temporary differences in connection with which no deferred tax asset was recognised	17	-
Non-taxable income	-2,632	-384
Other	-246	-21
Tax base for current and deferred income tax	25,905	21,786
Current income tax disclosed in the consolidated statement of comprehensive income	**4,946**	**4,154**
including tax on dividend	24	15
Income tax attributable to discontinued operations	-	-
Corporate income tax at the effective tax rate: 19% (2009: 19%)	4,922	4,139

19.1. Deferred income tax

Temporary differences related to deferred tax assets, as at December 31st 2010 and December 31st 2009, concern the following items:

	Dec 31 2010	Dec 31 2009
Financial instruments available for sale	2	7
Current receivables	-	21
Provisions	1,413	1,294
Other	34	99
Total deferred tax asset	**1,449**	**1,421**

Temporary differences related to deferred tax liabilities, as at December 31st 2010 and December 31st 2009, concern the following items:

	Dec 31 2010	Dec 31 2009
Financial instruments available for sale	234	33
Property, plant and equipment	206	144
Current receivables	-	9
Provisions	-	2
Other	212	23
Total deferred tax liability	**652**	**211**

20. Additional information of financial instruments

20.1. Fair value of instruments not measured at fair value

As at Dec 31 2010

Instrument category and item of the statement of financial position	carrying value	fair value
Loans and receivables	**391,744**	**391,744**
- cash and cash equivalents	98,732	98,732
- current and non-current receivables	293,012	293,012
Financial liabilities at amortised cost:	**265,189**	**265,189**
- current liabilities (loan)	7,481	7,481
- current liabilities (other than loan)	257,708	257,708

As at Dec 31 2009

Instrument category and item of the statement of financial position	carrying value	fair value
Loans and receivables	**376,231**	**376,231**
- cash and cash equivalents	47,216	47,216
- current and non-current receivables	329,015	329,015
Financial liabilities at amortised cost:	**329,382**	**329,382**
- current liabilities (loan)	13,547	13,547
- current liabilities (other than loan)	315,835	315,835

Cash bears interest at fixed and variable interest rates. In 2010 and 2009, the Group did not recognise any impairment losses on loans Impairment losses on receivables are described in Note 13.2.1. Income from interest on loans and receivables amounted to PLN 1,171 thousand in 2010 (of which PLN 310 thousand is interest accrued but not received), and PLN 1,531 thousand in 2009 (of which PLN 52 thousand is interest accrued but not received).

Impairment losses pertain only to instruments that are recognised under loans and receivables.

In 2010, expenses related to interest on loans amounted to PLN 1,009 thousand, compared to PLN 982 thousand in 2009. Interest on loans and borrowings pertains only to current loans and has been paid in full.

20.2. Financial assets and liabilities recognised in the statement of financial position at fair value

The table below sets forth financial instruments measured at fair value classified in a three-level hierarchy:

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

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

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

As at Dec 31 2010

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Derivative instruments	25	-	-	25
Financial assets held for trading other than derivative instruments	8,827	-	-	8,827
Total financial assets measured at fair value through profit or loss	**8,852**	**-**	**-**	**8,852**
Financial liabilities measured at fair value through profit or loss				
Derivative instruments	-	-	-	
Total financial liabilities measured at fair value through profit or loss	**-**	**-**	**-**	
Financial assets available for sale measured through equity				
Investment certificates and investment fund units	-	2,149	-	2,149
Total financial assets available for sale measured through equity	**-**	**2,149 ***	**-**	**2,149**

* The amount does not include the value of IBS shares, as they are measured at cost (according to IAS 39).

As at Dec 31 2009

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Derivative instruments	52	-	-	52
Financial assets held for trading other than derivative instruments	4,293	-	-	4,293
Total financial assets measured at fair value through profit or loss	**4,345**	**-**	**-**	**4,345**
Financial liabilities measured at fair value through profit or loss				
Derivative instruments	75	-	-	75
Total financial liabilities measured at fair value through profit or loss	**75**	**-**	**-**	**75**
Financial assets available for sale measured through equity				
Certificates	-	412	-	412
Total financial assets available for sale measured through equity	**-**	**412 ***	**-**	**412**

* The amount does not include the value of IBS shares, as they are measured at cost (according to IAS 39).

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

21. Exclusions of companies from consolidation

In line with IAS 8.8, which permits departures from the IFRS when the effect of the departure is immaterial, IPOPEMA Business Services Kft., a subsidiary undertaking of IPOPEMA Securities, was not included in these consolidated financial statements.

	IPOPEMA Business Services Kft. ***(all figures in PLN)***
Balance-sheet total as at Dec 31 2010	PLN 780,378.20
% share in parent's balance-sheet total	0.20 %
Revenue for period Jan 1 – Dec 31 2010	PLN 937,818.00
% share in parent's revenues	1.35 %
Net assets as at Dec 31 2010	PLN 87,989.86
Net profit (loss) for period Jan 1 – Dec 31 2010	PLN 82,718.25

	IPOPEMA Business Services Kft. ***(all figures in PLN)***
Balance-sheet total as at Dec 31 2009	PLN 7,581.04
% share in parent's balance-sheet total	0.00 %
Revenue for period Jan 1 – Dec 31 2009	PLN 0.00
% share in parent's revenues	0.00 %
Net assets as at Dec 31 2009	PLN 7,254.93
Net profit (loss) for period Jan 1 – Dec 31 2009	PLN -329.07

22. Contingent liabilities and contingent assets

In the period covered by these financial statements, the Group did not carry any contingent liabilities or assets.

23. Business combinations and acquisitions of non-controlling interests

23.1. Acquisition of subsidiary undertakings

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

23.2. Disposal of subsidiary undertakings

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

24. Related party transactions

Related party transactions – income and expenses

Related party	**Revenue**	**Purchases**	**Sales revenue**	**Purchases**
	Jan 1–Dec 31 2010		**Jan 1–Dec 31 2009**	
IPOPEMA BC	8	-	94	-
IPOPEMA TFI	305	-	5	-
IPOPEMA Business Services Kft.	155	844	-	-
Members of the Management Board and supervisory bodies	31	782	-	483
Other related parties	513 *	-	850	19
Total	**1,012**	**1,626**	**949**	**502**

** Revenue from an entity which as at December 31st 2010 is no longer a related party.*

Related party transactions – receivables and liabilities

Related party	Receivables		Liabilities	
	Dec 31 2010	Dec 31 2009	Dec 31 2010	Dec 31 2009
IPOPEMA BC	9	-	-	-
IPOPEMA TFI	7	-	-	-
IPOPEMA Business Services Kft.	1,099	-	-	-
Members of the Management Board and supervisory bodies	-	-	-	-
Other related parties	-	-	-	9
Total	**1,115**	**-**	**-**	**9**

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 24.5. For information on the Incentive Scheme for the above persons, see Note 17.1

24.1. Terms of related party transactions

Transactions with related parties are executed on arms' length terms.

24.2. Loan advanced to members of the Management Board

In the periods covered by these financial statements, the Group did not advance any loans to the members of the Management Board.

24.3. Transactions with other members of the Management Board

The Group did not execute any transactions with members of the Management Board other than those connected with the implementation of the incentive schemes, as described in Note 17.1.

In 2010, two members of the Management Board, Mariusz Piskorski and Mirosław Borys, executed (through their subsidiary undertakings) transactions in securities on the regulated market and outside the stock-exchange market, with the Company acting as an intermediary. The total turnover between the Company and the abovementioned persons under those transactions amounted to PLN 31 thousand.

Additionally, the Company used legal advisory services of the law firm of Jacek Jonak, the Chairman of the Supervisory Board, and advisory services provided by an undertaking related to Bogdan Kryca, a Member of the Supervisory Board, in connection with a transaction executed by the Company. The total value of agreements executed with the abovementioned entities in 2010 amounted to PLN 782 thousand.

24.4. Transactions with subsidiary undertakings

Transactions with IPOPEMA Business Services Kft.

In relation to the operations in Hungary, carried out in cooperation with local partners acting as investment firm agents, in 2010 the Company entered into the following agreements with IPOPEMA Business Services Kft. "(IBS"): (i) Services Agreement, whereby IBS provides the Company and its Hungarian partners with office and equipment support services, and (ii) Equipment Lease Agreement, whereby IBC leases computer hardware and software from the Company, in order to properly support the Company's partners operating on the Hungarian market within the scope of their activities performed for the Company. In 2010, the total value of transactions under the abovementioned agreements amounted to PLN 999 thousand, as presented in the table above.

Moreover, in 2010 the Company advanced short-term loans to IBS. Their total amount did not exceed the equivalent of PLN 500 thousand.

Transactions with IPOPEMA TFI

In 2010, the Company made settlements with IPOPEMA TFI related to the IT services provided to the subsidiary and expenses incurred by the Company which due to their nature were allocated to the subsidiary. The total turnover under those settlements amounted to PLN 305 thousand.

Transactions with IPOPEMA Business Consulting

In 2010, transactions between the Company and IPOPEMA BC involved settlements of expenses incurred by the Company. The total amount of the expenses was less than PLN 10 thousand.

24.5. Remuneration of the Group's senior management staff

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

	Dec 31 2010	Dec 31 2009
Supervisory Board of the Parent Undertaking	**31**	**23**
Diemko Janusz	7	5
Jonak Jacek	9	5
Kryca Bogdan	8	5
Miler Roman	2	3
Sliwinski Wiktor	5	5
Management Board of the Parent Undertaking	**6,550**	**6,688**
Borys Mirosław	723	860
Lewandowski Jacek	1,383	1,160
Piskorski Mariusz	1,218	885
Waczkowski Stanisław	3,226	3,783
Total	**6,581**	**6,711**

Members of the IPOPEMA Securities Management and Supervisory Boards did not receive remuneration from the subsidiary undertakings.

Benefits to the key management staff

Both in 2010 and 2009, there were no payments under post-employment benefits, termination benefits, or other non-current benefits. The provision for holidays in arrears of the Parent Undertaking's Management Board was PLN 3 thousand as at December 31st 2010, and PLN 30 thousand as at December 31st 2009. The provision was not included in the table above. Some members of the IPOPEMA TFI Management Board are covered by an incentive scheme based on IPOPEMA Securities shares. For more information, see Note 17.1.

Agreements with Mariusz Piskorski and Mirosław Borys, dated November 4th 2008

Two of the Management Board members, Mariusz Piskorski and Mirosław Borys, entered into agreements with the Company, under which 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.

25. Items of the statement of cash flows

Breakdown of the Company’s activities as assumed for the statement of cash flows:

Operating activities – provision of brokerage and consulting services as well as fund management services, acting as market maker to perform tasks related to the organisation of the regulated market, acquisition and disposal of securities in the capacity of a dealer.

Investing activities – purchase and disposal 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 undertaking) and any related monetary costs and benefits.

Structure of cash

	Presentation in the statement of financial position		Presentation in the statement of cash flows	
	Dec 31 2010	Dec 31 2009	Dec 31 2010	Dec 31 2009
Cash and cash equivalents	**98,732**	**47,216**	**88,589**	**42,168**
1. Cash in hand	10	4	10	4
2. Cash at banks	33,364	3,606	33,364	3,606
3. Other cash	55,215	38,558	55,215	38,558
4. Cash equivalents (deposit for a period exceeding three months)	10,143	5,048	-	-

As at December 31st 2010, the difference between the presentation of cash in the statement of financial position and the statement of cash flows is attributable to the recognition of a PLN 10m long-term deposit (maturing in more than three months from the end of the reporting period) under investing activities and interest of PLN 143 thousand on the deposit, which – as unrealised interest – was excluded from cash flows from operating activities.

As at December 31st 2009, the difference between the presentation of cash in the statement of financial position and the statement of cash flows is attributable to the recognition of a PLN 5m long-term deposit (maturing in more than three months from the end of the reporting period) under investing activities and interest of PLN 48 thousand on the deposit, which – as unrealised interest – was excluded from cash flows from operating activities.

Differences in changes in balance-sheet items

	Presentation in the statement of financial position		Presentation in the statement of cash flows – change
	Dec 31 2010	Dec 31 2009	2010
Gross (current and non-current) receivables	292,540	331,265	-39,796
Net receivables	290,147	329 015	
Impairment losses on receivables	2,393	2,250	143
Provisions, accruals and deferred income	6,810	6,805	5
Total change in impairment losses and provisions			**148**

	Presentation in the statement of financial position		Presentation in the statement of cash flows – change
	Dec 31 2009	Dec 31 2008	2009
Gross (current and non-current) receivables	331,265	95,081	236,161
Net receivables	329,015	93,578	
Impairment losses on receivables	2,250	1,503	747
Provisions	6,805	2,874	3,931
Total change in impairment losses and provisions			**4,678**

26. Lease

In 2010, the Parent Undertaking entered into a finance lease agreement with a subsidiary.

Lease receivables	Dec 31 2010	
	Gross lease investment	Present value of minimum lease payments
Within 1 year	217	254
Within 1 to 5 years	393	417
Over 5 years	-	-
Total lease receivables	**610**	**671**

Unrealised finance income for 2010 amounted to PLN 20 thousand. The Group did not recognise provisions for unrecoverable receivables under minimum lease payments. There are no contingent lease payments or not guaranteed residual values attributable to the lessor.

The lease agreement was executed for one year and will be automatically extended for further 12-month periods, unless terminated by either of the parties on prior notice, as stipulated in the agreement.

The gross value of lease investment as at December 31st 2010 amounted to PLN 610 thousand. The lease agreement will expire in 2015, unless terminated earlier.

27. Foreign exchange differences

In 2010 and 2009, there were no foreign exchange differences disclosed in the statement of comprehensive income other than the differences resulting from financial instruments measured at fair value through the statement of comprehensive income and foreign exchange differences from translation of transactions in foreign currencies.

28. Security over assets of the IPOPEMA Securities Group

Save for the amount of PLN 10m blocked in a bank account as at December 31st 2010 (5m as at December 31st 2009), blank promissory notes issued by IPOPEMA Securities S.A. together with promissory note declarations, and powers of attorney over bank accounts held with a bank (securing an overdraft facility), the Group did not have any liabilities secured with its assets as at December 31st 2010 and December 31st 2009.

29. Inspections

Two external inspections were conducted at the Parent Undertaking in the period covered by these financial statements. The first inspection was carried out in August 2010 by authorised employees of the National Depository for Securities. The inspection pertained to the records of securities and IT systems security. The inspection report did not include any post-inspection recommendations.

The second inspection was conducted in September 2010 by authorised employees of the Warsaw Stock Exchange. The inspection covered compliance with statutory duties of a WSE member and with access requirements of the WSE IT systems. The WSE did not provide the Company with any recommendations or comments following the inspection.

Since 2010, the Parent Undertaking (as the supervised entity) has been subject to annual evaluation carried out by the Polish Financial Supervision Authority as part of the Supervisory Review and Evaluation Process (SREP).

An inspection by the Polish Financial Supervision Authority was also carried out at a subsidiary undertaking. As at the date of these consolidated financial statements, the subsidiary undertaking did not receive the inspection report.

30. Objectives and principles in financial risk management

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

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

30.1. Market risk

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

In its portfolio, the Group holds shares of companies listed on the Warsaw Stock Exchange and derivative instruments which, save for the forward contract, are traded on the WSE. The Group enters into derivative contracts in connection with acting as a futures market maker; open positions on equity-based futures are usually hedged with an offsetting position in equities (arbitrage transactions), therefore the risk exposure is low.

The Group also uses bank loans, 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 Group also holds other financial instruments, such as trade payables and receivables arising in connection with its activities.

The assumptions adopted in the sensitivity analysis as at December 31st 2010 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 last day of the reporting period. The analysis presented below did not include the impact of tax.

Item of the financial statements	Value of the item in PLN thousand according to the consolidated statement of financial position	Interest rate risk		Currency risk		Other price risk			
		Impact on profit/(loss)		Impact on profit/(loss)		Impact on profit/(loss)		Impact on equity	
		+ 100 bps (PLN/USD/EUR '000)	- 100 bps (PLN/USD/EUR '000)	+10%	-10%	+10%	-10%	+10%	-10%
Financial assets									
Cash and cash equivalents	44,314	443	-443	1,077	-1,077	-	-	-	-
Bank deposits	10,143	101	-101	-	-	-	-	-	-
Trade and other receivables	293,012	-	-	1,614	-1,614	-	-	-	-
Financial instruments held for trading*	7,633	-	-	-	-	763	-763	-	-
Financial instruments available for sale**	2,150	-	-	-	-	-	-	215	-215
Financial liabilities									
Trade and other payables	324,110	-	-	-1,508	1,508	-	-	-	-
Loans and borrowings	7,481	-75	75	-	-	-	-	-	-
Other financial liabilities	98	1	-1	-907	907	-	-	-	-
Total	**25,563**	**470**	**-470**	**276**	**-276**	**763**	**-763**	**215**	**-215**

** Financial instruments held for trading included in the sensitivity analysis are financial instruments involved in brokerage activities. The analysis does not include financial instruments arising from dealer's activities since in the majority of cases these are arbitrage transactions (hedged with derivative contracts in equities and exchange indexes). As a result, increases/decreases in exchange indexes have no impact on the Group's profit (loss) or equity.*

*** The amount does not include the value of IBS shares, as they are measured at cost (according to IAS 39).*

The assumptions adopted for the sensitivity analysis as at December 31st 2009 are described in the table next to each type of risk.

Item of the financial statements	Value of the item in PLN thousand according to the consolidated statement of financial position	Interest rate risk		Currency risk		Other price risk			
		Effect on profit/(loss)		Impact on profit/(loss)		Impact on profit/(loss)		Impact on equity	
		+ 100 bps (PLN/USD/EUR '000)	- 100 bps (PLN/USD/EUR '000)	+10%	-10%	+10%	-10%	+10%	-10%
Financial assets									
Cash and cash equivalents	42,168	422	-422	1	-1	-	-	-	-
Bank deposits	5,048	50	-50	-	-	-	-	-	-
Trade and other receivables	328,904	-	-	25	-25	-	-	-	-
Financial instruments held for trading*	1,117	-	-	-	-	112	-112	-	-
Financial instruments available for sale**	412	-	-	-	-	-	-	41	-41
Financial liabilities									
Trade and other payables	316,902	-	-	-19	+19	-	-	-	-
Loans and borrowings	13,547	-135	+135	-	-	-	-	-	-
Total	**47,200**	**337**	**-337**	**7**	**-7**	**112**	**-112**	**41**	**-41**

** Financial instruments held for trading included in the sensitivity analysis are financial instruments involved in brokerage activities. The analysis does not include financial instruments arising from dealer's activities since in the majority of cases* *these are arbitrage transactions (hedged with derivative contracts in equities and exchange indexes). As a result, increases/decreases in exchange indexes have no impact on the Group's profit (loss) or equity.*

*** The amount does not include the value of IBS shares, as they are measured at cost (according to IAS 39).*

30.2. Interest rate risk

The Group has liabilities under working capital loans on which interest accrues at variable rates. This gives rise to the risk that interest rates may increase over their level effective as at the agreement date. Moreover, the Group invests free cash in variable-rate assets, which may result in reduced return on the investment if interest rates decline. For information on assets and liabilities subject to the interest rate risk, see Note 13.1 and Note 15.3.

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

	2010			
Variable interest rate	**<1 year**	**1– 5 years**	**> 5 years**	**Total**
Cash assets	44,314	-	-	44,314
Overdraft facilities	7,481	-	-	7,481
Total	**51,795**	**-**	**-**	**51,795**

	2010			
Fixed interest rate	**<1 year**	**1– 5 years**	**> 5 years**	**Total**
Cash assets	10,143	-	-	10,143
Total	**10,143**	**-**	**-**	**10,143**

	2009			
Variable interest rate	**<1 year**	**1– 5 years**	**> 5 years**	**Total**
Cash assets	42,168	-	-	42,168
Overdraft facilities	-13,547	-	-	-13,547
Total	**28,621**	**-**	**-**	**28,621**

	2009			
Fixed interest rate	**<1 year**	**1 - 5 years**	**> 5 years**	**Total**
Cash assets	5,048	-	-	5,048
Total	**5,048**	**-**	**-**	**5,048**

30.3. Currency risk

The Group is exposed to limited currency risk as it incurs most of its operating expenses in the złoty. Currency risk is primarily related to changes in the USD, EUR and HUF exchange rates, however both in 2010 and 2009 the majority of operating expenses were incurred in the złoty. The Group did not have any foreign-currency loans or borrowings, however due to its operations in Hungary it uses foreign currency (HUF) to settle stock-exchange transactions and other expenses (including fees payable to the clearing bank and the Hungarian stock exchange as well as the costs of associates), thus the currency risk exposure is higher than in the previous years, when the Group did not conducted brokerage business in Hungary. Owing to the nature of the transaction settlements (with the Parent Undertaking acting as an intermediary), the share of this risk in the overall risk assessment is immaterial. The Company advanced a foreign-currency loan (in an amount equivalent to less than PLN 500 thousand) and it holds cash in a foreign-currency bank account. In order to mitigate the currency risk, the Company entered into an FX contract which mitigates the results of possible exchange rate fluctuations. Assessment of the effect of foreign exchange fluctuations as at December 31st 2010 and December 31st 2009 is presented in Note 30.1.

	Dec 31 2010	Dec 31 2009
Foreign-currency receivables		
- EUR	686	18
- HUF	919,517	11,600

- USD	335	-
Foreign-currency liabilities		
- USD	42	4
- EUR	31	42
- HUF	1,049,218	80
Cash		
- CZK	1	2
- EUR	2,322	1
- HUF	101,026	70
- USD	54	-
- GBP	1	-

30.4. Price risk

The Group holds financial instruments which are traded on a regulated market: the Warsaw Stock Exchange (WSE), except for the forward contract. The Group identifies the risk connected with the volatility of prices of financial instruments listed on the WSE. Such instruments are disclosed as financial instruments held for trading in the financial statements. The Group also holds investment certificates, which are exposed to the risk of volatility of certificate current price, but the aggregate value of certificates 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. Such investments are mainly performed as part of dealing activities, whose strategy provides for the hedging of the Group's own positions, whenever possible, through arbitrage transactions: an open position in an equity contract is usually hedged by an offsetting transaction in shares. Consequently, the risk exposure is minimised.

Assessment of the effect of changes in financial instruments prices as at December 31st 2010 and December 31st 2009 is presented in Note 30.1.

30.5. Credit risk

The Group is exposed to credit risk understood as the risk that the Group's debtors may fail to fulfil their obligations and thus cause losses to the Group. In view of the above, the Group believes that credit risk was accounted for in the financial statements through recognition of impairment losses. Receivables by maturity and amounts of recognised impairment losses are presented in Note 13.2.1.

In the Management Board's opinion, there is no significant concentration of credit risk at the Group as the Group has many clients. No client's share in the Group's total revenue exceeds 10%.

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

As at December 31st 2010, the maximum loss under credit risk for the instruments included in loans advanced and receivables (specified in Note 20.1) was PLN 391,744 thousand (December 31st 2009: PLN 375,861 thousand).

30.6. Liquidity risk

The Group is exposed to liquidity risk understood as the risk of failure to meet liabilities by specified deadlines. 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 strives to strike balance between the continuity and flexibility of financing through the management of receivables, liabilities and financial instruments, as well as through debt financing, that is short-term bank loans.

In the Group's opinion, due to the significant amount of cash (PLN 49,584 thousand at the end of the reporting period against PLN 35,785 thousand as at December 31st 2009) (Note 13.1), access to credit facilities to finance the Groups' operations on the WSE (Note 15.3.2), and the sound financial standing of the Group, the liquidity risk should be regarded as insignificant.

Note 15.3.1 includes a table setting forth liabilities by maturity. The vast majority of the liabilities (93.7%) relate to transactions executed on the WSE and BSE, in the majority of which the Group acted as intermediary in the purchase or sale of financial instruments on behalf of its clients. Thus, a liability under a stock exchange transaction is to a large extent offset by a transaction generating receivables. As at December 31st 2010, the balance of stock exchange transactions stood at PLN 778 thousand (PLN 600 thousand as at December 31st

2009) and represented the amount of liabilities not offset by receivables. Transactions executed on the WSE may be financed with proceeds from the available credit facilities. In such circumstances, the liquidity risk is considered low.

30.7. Risk relating to the operations of the Market Making and Proprietary Trading Department

The nature of the operations of the Market Making and Proprietary Trading Department, that is entering into short-term transactions on the stock-exchange market for the Company's own account, exposes the Company to investment risk. In particular, there can be no assurance that the decisions made by the Department's staff or the investment strategies they employ will be successful, and therefore those operations may bring unsatisfactory results or even result in losses. The strategy of the Department provides for the hedging of the Group's own positions, whenever possible, through arbitrage transactions; an open position in an equity contract is usually hedged by an offsetting transaction in shares. Consequently, the risk exposure is minimised.

31. Capital management

The objective of the Group's capital management policy is to ensure that the undertakings of the Group continue as going concerns while the return for shareholders is maximised thanks to optimisation of the debt to equity ratio. As at December 31st 2010 and December 31st 2009, the Group's equity amounted to PLN 67,458 thousand and PLN 47,164 thousand, respectively.

As a brokerage house, IPOPEMA Securities is subject to the Regulation on capital adequacy requirements, obliging it to secure a sufficient level of equity. Despite the considerable increase in its equity, the Company uses debt financing. Under the applicable laws and regulations, the Company's total debt may not be higher than four times the regulatory capital level. Furthermore, the Company must satisfy capital adequacy requirements (described in Note 14.4). In connection with its operations on the secondary market, upon the closing of each trading day the Company is obliged to ensure an appropriate amount of funds for the Settlement Guarantee Fund. Currently, the Company transfers contributions to the Fund using a credit facility (for details see Note 15.3.2). There is a risk that the level of equity (and, thereby, the regulatory capital level) 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. 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 at their order in a timely manner, the Company may be required to execute such transactions using its own funds.

Given the scope and scale of its business and the generated results, the current level of the Company's equity is sufficient. However, it is possible that business projects currently underway or planned may require a higher level of equity. If the equity base needs to be increased, the Company may have to increase the share capital through an issue of new shares.

In the case of any events with an adverse effect on the Company's financial performance and 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 (management company), is also obliged to comply with the requirement to secure a sufficient level of equity, laid down in Art. 49 and Art. 50 of the Act on Investment Funds of May 27th 2004.

The provisions of the aforementioned Act stipulate that the management company's initial capital necessary to carry out its activities must be no less than the złoty equivalent of EUR 125,000. 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. Furthermore, once the value of the assets of investment funds managed by the management company exceeds the złoty equivalent of EUR 250,000 thousand, the management company must immediately increase its equity. The amount of the increase has to be equal to 0.02% of the difference between the sum of the value of the assets of all funds managed by the management company and the złoty 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. IPOPEMA TFI maintains its equity at the level required by statutory provisions.

32. Employment structure

In 2010, the average headcount at the IPOPEMA Securities Group was as follows:

	2010	2009
Management Board of the Parent Undertaking	4	4
Management Board of the Group companies	6	4
Other	115	70
Total	**125**	**78**

33. Auditor's fees

Under an agreement dated July 22nd 2010, the entity authorised to audit the Company's annual separate and consolidated financial statements for 2010 and to review financial statements for H1 2010 is BDO Sp. z o.o., with registered office at ul. Postępu 12, Warsaw, Poland. The agreement pertains to the annual and semi-annual periods of 2010.

	2010	2009
Mandatory audit of financial statements	74	72
Other attestation services	63	52
Other services	-	15
Total	**137**	**139**

34. Discontinued operations

Both in 2010 and in 2009, the Group did not identify any discontinued operations. Accordingly, all information presented in these financial statements relates to continued operations.

35. Events subsequent to the end of the reporting period

All events with a bearing on the financial statements for 2010 were disclosed in the accounting books for 2010.

On March 15th 2011, the Parent Undertaking entered into a share purchase agreement whereby it acquired all shares of Credit Suisse Asset Management (Polska) S.A. The completion of the transaction is subject to obtaining the required authorisations from regulatory bodies (the Polish Financial Supervision Authority and the Polish Office of Competition and Consumer Protection) Disclosure of information required under IFRS 3 is not practicable, thus the Group did not disclose such information in these consolidated financial statements.

Furthermore, shares were subscribed for under the Incentive Scheme (Note 14.1).

Warsaw, March 17th 2011

On behalf of the Management Board

Jacek Lewandowski President of the Management Board	Mariusz Piskorski Vice-President of the Management Board	Stanisław Waczkowski Vice-President of the Management Board	Mirosław Borys Vice-President of the Management Board

Danuta Ciosek
Chief Accountant