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X-TRADE BROKERS DOM MAKLERSKI S.A. GROUP

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015 AND THE INDEPENDENT REGISTERED AUDITOR'S OPINION

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I. Consolidated comprehensive income statement

(in PLN'000)	Note	Year ended 31.12.2015	Year ended 31.12.2014 (restated)
Result of operations on financial instruments	6.1	274 671	197 785
Income from fees and charges	6.2	5 754	6 071
Other income		2 117	578
Total operating income	**6**	**282 542**	**204 434**
Salaries and employee benefits	7	(68 127)	(54 994)
Marketing	8	(28 181)	(23 584)
Other external services	10	(18 660)	(17 553)
Costs of maintenance and lease of buildings	9	(7 898)	(6 815)
Amortisation and depreciation		(5 804)	(5 746)
Taxes and fees		(1 824)	(1 933)
Fee expenses	11	(3 915)	(3 914)
Other costs	12	(7 063)	(3 517)
Total operating expenses		**(141 472)**	**(118 056)**
Profit on operating activities		**141 070**	**86 378**
Finance income	13	10 444	11 853
Finance costs	14	(3 146)	(1 203)
Profit before tax		**148 368**	**97 028**
Income tax	31	(29 333)	(19 964)
Net profit		**119 035**	**77 064**
Other comprehensive income		**(3 176)**	**2 105**
Items which will be reclassified to profit or loss after meeting specific conditions		(3 176)	2 105
– foreign exchange differences on translation of foreign operations		*(2 950)*	*1 241*
– foreign exchange differences on valuation of separated equity		*(279)*	*1 067*
– deferred income tax		*53*	*(203)*
Total comprehensive income		**115 859**	**79 169**
Net profit attributable to:			
Shareholders of the Parent Company		119 035	77 064
Total comprehensive income attributable to shareholders of the Parent Company		*115 859*	*79 169*
Earnings per share:			
- basic profit per year attributable to shareholders of the Parent Company (in PLN)	30	1,01	0,66
- basic profit from continued operations per year attributable to shareholders of the Parent Company (in PLN)	30	1,01	0,66
- diluted profit of the year attributable to shareholders of the Parent Company (in PLN)	30	1,01	0,66
- diluted profit from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	30	1,01	0,66

The consolidated comprehensive income statement should be read together with the supplementary notes to the consolidated financial statements, which are an integral part of these consolidated financial statements.

The consolidated financial statements contain 79 consecutively numbered pages.

II. Consolidated statement of financial position

(in PLN'000)	Note	31.12.2015	31.12.2014 (restated)	01.01.2014 (restated)
ASSETS				
Own cash and cash equivalents	16	325 328	287 388	168 245
Customers' cash and cash equivalents	16	298 138	267 966	245 087
Financial assets held for trading	17	64 254	61 322	71 541
Financial assets held to maturity		–	288	–
Financial assets available for sale		213	241	–
Income tax receivables		2 443	56	8
Loans granted and other receivables	18	4 545	3 904	40 483
Prepayments and deferred costs	19	2 513	1 956	2 265
Intangible assets	20	13 340	17 908	12 929
Property, plant and equipment	21	4 107	4 489	4 692
Deferred income tax assets	32	12 238	12 799	11 731
Total assets		**727 119**	**658 317**	**556 981**
EQUITY AND LIABILITIES				
Liabilities				
Amounts due to customers	22	301 076	268 032	246 057
Financial liabilities held for trading	23	10 215	14 692	11 479
Income tax liabilities		4 562	7 301	6 814
Other liabilities	24	26 708	22 605	24 414
Provisions for liabilities	27	871	565	608
Deferred income tax provision	32	9 638	9 411	11 067
Total liabilities		**353 070**	**322 606**	**300 439**
Equity				
Share capital	28	5 869	5 869	5 869
Supplementary capital	28	71 608	71 608	71 608
Other reserves	28	189 092	189 092	102 650
Foreign exchange differences on translation	28	(641)	2 535	430
Retained earnings		108 121	66 607	75 985
Equity attributable to the owners of the Parent Company		**374 049**	**335 711**	**256 542**
Total equity		**374 049**	**335 711**	**256 542**
Total equity and liabilities		**727 119**	**658 317**	**556 981**

The consolidated statement of financial position should be read together with the supplementary notes to the consolidated financial statements, which are an integral part of these consolidated financial statements.

III. Consolidated statement of changes in equity

Consolidated statement of changes in equity for the period from 1 January 2015 to 31 December 2015

(in PLN'000)	Share capital	Supplementary capital	Other reserves	Foreign exchange differences on translation of foreign operations	Retained earnings	Equity attributable to the owners of the Parent Company	Total equity
As at 1 January 2015	**5 869**	**71 608**	**189 092**	**2 535**	**66 607**	**335 711**	**335 711**
Total comprehensive income for the financial year							
Net profit	–	–	–	–	119 035	119 035	**119 035**
Other comprehensive income	–	–	–	(3 176)	–	(3 176)	**(3 176)**
Total comprehensive income for the financial year	**–**	**–**	**–**	**(3 176)**	**119 035**	**115 859**	**115 859**
Transactions with the Parent Company's owners recognised directly in equity							
Appropriation of profit/offset of loss	–	–	–	–	(77 521)	(77 521)	**(77 521)**
- dividend payment (note 29)	–	–	–	–	(77 521)	(77 521)	**(77 521)**
As at 31 December 2015	**5 869**	**71 608**	**189 092**	**(641)**	**108 121**	**374 049**	**374 049**

The consolidated statement of changes in equity should be read together with the supplementary notes to the consolidated financial statements, which are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the period from 1 January 2014 to 31 December 2014

(in PLN'000)	Share capital	Supplementary capital	Other reserves	Foreign exchange differences on translation of foreign operations	Retained earnings	Equity attributable to the owners of the Parent Company	Total equity
As at 1 January 2014	**5 869**	**71 608**	**102 650**	**430**	**75 985**	**256 542**	**256 542**
Total comprehensive income for the financial year							
Net profit	–	–	–	–	77 064	77 064	**77 064**
Other comprehensive income	–	–	–	2 105	–	2 105	**2 105**
Total comprehensive income for the financial year	**–**	**–**	**–**	**2 105**	**77 064**	**79 169**	**79 169**
Transactions with the Parent Company's owners recognised directly in equity							
Appropriation of profit/offset of loss	–	–	86 442	–	(86 442)	–	**–**
– retained earnings	–	–	86 442	–	(86 442)	–	**–**
Sale/liquidation of a subsidiary	–	–	–	–	–	**–**	**–**
As at 31 December 2014	**5 869**	**71 608**	**189 092**	**2 535**	**66 607**	**335 711**	**335 711**

The consolidated statement of changes in equity should be read together with the supplementary notes to the consolidated financial statements, which are an integral part of these consolidated financial statements.

IV. Consolidated cash flow statement

(in PLN'000)	Note	Year ended 31.12.2015	Year ended 31.12.2014 (restated)
Cash flows from operating activities			
Profit before tax		148 368	97 028
Adjustments:			
(Gain)/Loss on sale or disposal of items of property, plant and equipment		888	(60)
Amortisation and depreciation		5 804	5 746
Foreign exchange (gains)/losses from translation of own cash		(1 060)	(1 711)
Other adjustments	36.3	(3 123)	2 065
Changes			
Change in provisions		306	(43)
Change in balance of financial assets and liabilities held for trading		(7 409)	13 432
Change in balance of restricted cash	16	(30 172)	(22 879)
Change in balance of loans granted and other receivables	36.1	(641)	9 279
Change in balance of prepayments and accruals		(557)	309
Change in balance of amounts due to customers		33 044	21 975
Change in balance of other liabilities	36.2	4 732	(2 754)
Cash from operating activities		**150 180**	**122 387**
Income tax paid		(33 669)	(22 248)
Interest		17	(60)
Net cash from operating activities		**116 528**	**100 079**
Cash flow from investing activities			
Proceeds from sale of items of property, plant and equipment		3	343
Expenses relating to payments for property, plant and equipment	21	(1 584)	(1 580)
Expenses relating to payments for intangible assets	20	(185)	(666)
Cash from acquisition of subsidiaries		–	20 274
Sale/(Purchase) of financial assets held to maturity		288	(288)
Net cash from investing activities		**(1 478)**	**18 083**
Cash flow from financing activities			
Payments of liabilities under finance lease agreements		(139)	(257)
Interest paid under lease		(17)	(24)
Expenses relating to payments for acquisitions of shares in subsidiaries		(490)	(241)
Dividend paid to owners		(77 521)	–
Net cash from financing activities		**(78 167)**	**(522)**
Increase in net cash and cash equivalents		**36 883**	**117 640**

Consolidated cash flow statement (continued)

(in PLN'000)	Nota	Year ended 31.12.2015	Year ended 31.12.2014 (restated)
Cash and cash equivalents – opening balance		287 388	168 245
Effect of FX rates fluctuations on balance of cash in foreign currencies		1 057	1 503
Cash and cash equivalents – closing balance	**16**	**325 328**	**287 388**

The consolidated cash flow statement should be read together with the supplementary notes to the consolidated financial statements, which are an integral part of these consolidated financial statements.

V. Accounting policies and additional explanatory notes

1. Information about the Parent Company and composition of the Group

The Parent Company in the X–Trade Brokers Dom Maklerski S.A. Group (the "Group") is X–Trade Brokers Dom Maklerski S.A. (hereinafter: the "Parent Entity", "Parent Company", "Brokerage") with its headquarters located in Warsaw, at Ogrodowa street 58, 00–876 Warsaw.

X–Trade Brokers Dom Maklerski S.A. is entered in the Commercial Register of the National Court Register by the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register, under No. KRS 0000217580. The Parent Company was granted a statistical REGON number and a tax identification (NIP) number 527–24–43–955.

The Parent Company's operations consist of conducting brokerage activities on the stock exchange and OTC markets (currency derivatives, commodities, indices, stocks and bonds). The Parent Company is supervised by the Polish Financial Supervision Authority and conducts regulated activities pursuant to a permit dated 8 November 2005, No. DDM–M–4021–57–1/2005.

1.1. Information on the reporting entities in the Parent Company's organisational structure

The consolidated financial statements cover the following foreign branches which form the Parent Company:

- X–Trade Brokers Dom Maklerski Spółka Akcyjna, organizační složka – a branch established on 7 March 2007 in the Czech Republic. The branch was registered in the commercial register maintained by the City Court in Prague under No. 56720 and was granted the following tax identification number: CZK 27867102.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna, Sucursal en Espana – a branch established on 19 December 2007 in Spain. On 16 January 2008, the branch was registered by the Spanish authorities and was granted the tax identification number ES W0601162A.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna, organizačna zložka – a branch established on 1 July 2008 in the Slovak Republic. On 6 August 2008, the branch was registered in the commercial register maintained by the City Court in Bratislava under No. 36859699 and was granted the following tax identification number: SK4020230324.
- X–Trade Brokers Dom Maklerski S.A. Sucursala Bucuresti Romania (branch in Romania) – a branch established on 31 July 2008 in Romania. On 4 August 2008, the branch was registered in the Commercial Register under No. 402030 and was granted the following tax identification number: CUI 24270192.
- X–Trade Brokers Dom Maklerski S.A., German Branch (branch in Germany) – a branch established on 5 September 2008 in the Federal Republic of Germany. On 24 October 2008, the branch was registered in the Commercial Register under No. HRB 84148 and was granted the following tax identification number: 4721939029.
- X–Trade Brokers Dom Maklerski Spółka Akcyjna a branch in France – a branch established on 21 April 2010 in the Republic of France. On 31 May 2010, the branch was registered in the Commercial Register under No. 522758689.

- X–Trade Brokers Dom Maklerski S.A., Sucursal Portugesa – a branch established on 7 July 2010 in Portugal. On 7 July 2010, the branch was registered in the Commercial Register under No. 980436613.
- X–Trade Brokers Dom Maklerski S.A., Succursale in Italia (branch in Italy) – a branch established on 28 July 2010 in Italy. On 28 July 2010, the branch was registered in the Commercial Register under No. 07115880960.

On 1 December 2014, under the resolution of the Management Board of X–Trade Brokers Dom Maklerski S.A. of 26 November 2014, the branch in Italy was liquidated.

1.2. Composition of the Group

The X–Trade Brokers Dom Maklerski S.A. Group is composed of X–Trade Brokers Dom Maklerski S.A. as the Parent Company and the following subsidiaries:

Company name	Country of registered office	Percentage share in the capital	
		31.12.2015	31.12.2014
XTB Limited	United Kingdom	100%	100%
X Open Hub Sp. z o.o.	Poland	100%	100%
DUB Investments Ltd	Cyprus	100%	100%
X Trade Brokers Menkul Değerler A.Ş.	Turkey	100%	100%
Lirsar S.A.	Uruguay	100%	100%

XTB Limited was established on 19 April 2010 under the name Tyrolese (691) Limited. The Company started its operating activities in November 2010 under a changed name – XTB UK Ltd. In 2012 it changed its name to X Financial Solutions Ltd, in 2013 it changed its name into X Open Hub Limited, and on 8 January 2015 to XTB Limited. The Company's results are consolidated under the full method from the date of its establishment.

On 7 June 2010, the Parent Company acquired 98 per cent of shares in X Trade Brokers Asesores Bursatiles S.A. with its registered office in Mexico. On 17 September 2014, 98 per cent of the shares were sold to xDirect Chile Ltda. for MXN 49 000,00. The loss on the transaction recognised in the Parent Company's individual financial statements was PLN 906,50.

On 24 May 2012, the Parent Company acquired 100 per cent of the shares in xSocial Ltd with its registered office in Cyprus. In 2012, the Company changed its name into xStore Ltd. The Company's results were consolidated under the full method from the date of its establishment until the date of liquidation. In 2014, the Company was liquidated.

On 6 March 2013, the Parent Company acquired 100 per cent of the shares in xStore Sp. z o.o. with its registered office in Poland. In 2014, the Company changed its name to X Open Hub Sp. z o.o. The Company's results are consolidated under the full method from the date of its establishment.

On 15 October 2013 the Parent Company acquired 100% shares in DUB Investments Limited, with its registered office in Cyprus. The Company's results are consolidated under the acquisition method as of the date of its acquisition. The fair value of the consideration paid was PLN 1 292 thousand. As a result of the acquisition, the Parent Company identified goodwill of PLN 783 thousand as the difference between the acquisition price and the fair value of the acquired assets. As at the acquisition date, the subsidiary was tested for impairment; as a result of the test the full value of goodwill was charged to costs as at that date.

On 17 April and on 16 May 2014 the Parent Company acquired 100% shares in X Trade Brokers Menkul Değerler A.Ş. with its registered office in Turkey, as a result of which on 30 April 2014 it took control over the Company. The acquisition of 100% of the shares led to taking up control by the Parent Company. 12 999 996 shares were taken up against the loan granted to Jakub Zabłocki for the purchase of the entity; as at the moment of settlement, the loan was PLN 27 591 thousand. The remaining four shares were purchased with cash. The value of shares taken up by way of settlement against the loan amounted to PLN 28 081 thousand, the shares purchased with cash amounted to PLN 8,88. The fair value of the consideration paid was PLN 28 081 thousand and it was determined on the basis of a third–party valuation. The Group accounted for the transaction under the acquisition method, in accordance with the accounting policy adopted for transactions under joint control. As at the acquisition date particular net assets of the acquired company X Trade Brokers Menkul Değerler A.Ş. were measured at fair value. As a result of the accounting an intangible asset was isolated in the form of a licence for brokerage activities on the Turkish market of PLN 8 017 thousand. The estimated amortization period for this isolated intangible asset was established over a period of 10 years.

On 21 May 2014 the Parent Company acquired 100% shares in Lirsar S.A. with its registered office in Uruguay, for PLN 16 thousand. The fair value of net assets acquired amounted to PLN 16 thousand. The Company's results are consolidated under the acquisition method as of the date of its acquisition.

1.3. Composition of the Management Board of the Parent Company

In the period covered by the consolidated financial statements, the Management Board was composed of the following persons:

Name and surname	Function	Date of appointment	Date of removal
Jakub Malý	Chairman of the Management Board	25.03.2014	till the date of approval of consolidated financial statements
Jakub Malý	Board Member	31.08.2012	25.03.2014
Piotr Baszak	Board Member	30.12.2009	29.01.2015
Paweł Frańczak	Board Member	31.08.2012	till the date of approval of consolidated financial statements
Ewa Stefaniak	Board Member	26.02.2008	28.01.2015
Paweł Szejko	Board Member	28.01.2015	till the date of approval of consolidated financial statements

1.4. Public support

In 2014 and 2015, the Group did not receive any financial support from public resources.

1.5. Rate of return on assets

The rate of return on assets amounted to 16,37% for 2015 and to 11,71% for 2014.

1.6. Activities of the brokerage house outside the territory of the Republic of Poland

Information about the activities of the brokerage house outside the territory of the Republic of Poland, broken down into member states and third countries in which the brokerage house has its subsidiaries, on a consolidated basis within the meaning of Article 4(1)(48) of the Regulation of the European Parliament

and of the Council (EU) No 575/2013 on prudential requirements for credit institutions and investment firms are presented below.

Area of activities	Revenue for 2015	Number of employees in terms of FTPs	Profit before tax for 2015	Income tax for 2015
European Union	245 670	336	145 067	28 494
Outside European Union	16 240	35	3 978	828
Area of activities	**Revenue for 2014**	**Number of employees in terms of FTPs**	**Profit before tax for 2014**	**Income tax for 2014**
European Union	189 453	288	98 109	20 616
Outside European Union	11 845	33	3 675	209

2. Material values based on professional judgements and estimates

In the process of applying the accounting principles (policy), the Management Board of the Parent Company made the following judgements that have the greatest impact on the reported carrying amounts of assets and liabilities.

Classification of lease agreements

The Group classifies leases as operational or financial lease based on the extent to which risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. This assessment is based on the economic content of each transaction.

The Group entered into finance lease contracts regarding fixed assets. The Group retains all the significant risks and rewards of ownership of these properties, concerning, among other things, the fact that the term of a contract does not cover a significant portion of the useful life of the property subject to operating leases.

Amortisation periods of intangible assets

Amortisation period of the isolated intangible asset in the form of the licence for conducting brokerage activities on the Turkish market is assessed based on the expected economic useful life of this asset. The amortisation period was determined according to the expected useful life of the asset on the Turkish market no shorter than 10 years. Should the circumstances leading to a change in the expected useful life change, the amortisation rates also would change, which will have an impact on the value of amortisation charges and the net book value of intangible assets.

Period for settlement of the deferred tax asset

The Group recognises a deferred tax asset based on the assumption that a tax profit will be generated in the future enabling its utilisation. A deterioration in tax results in the future might result in the assumption becoming unjustified. The deferred tax asset relates mainly to the losses generated by foreign operations and subsidiaries in the initial period of their operation recognised in the balance sheet. The Parent Company analyses the possibility of recognising such assets, taking into consideration local tax regulations, and analyses future tax budgets assessing the possibility of recovering these assets.

3. Basis for drafting the financial statements

3.1. Compliance statement

These consolidated financial statements were prepared based on International Financial Reporting Standards (IFRS), which were endorsed by the European Union.

The consolidated financial statements of the X–Trade Brokers Dom Maklerski S.A. Group prepared for the period from 1 January 2015 to 31 December 2015 with comparative data for the year ended 31 December 2014 cover the Parent Company's financial data and financial data of the subsidiaries comprising the "Group".

These consolidated financial statements have been prepared on the historical cost basis, with the exception of assets and liabilities held for trading and financial instruments held for sale which are measured at fair value. The Group's assets are presented in the statement of financial position according to their liquidity, and its liabilities according to their maturities.

The Group companies maintain their accounting records in accordance with the accounting principles generally accepted in the countries in which these companies are established. The consolidated financial statements include adjustments not recognised in the Group companies' accounting records, made in order to reconcile their financial statements with the IFRS.

The consolidated financial statements were approved by the Management Board of the Parent Company on 29 February 2016.

Drafting this consolidated financial statements, the Parent Company decided that none of the Standards would be applied retrospectively.

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

The consolidated financial statements were prepared based on the assumption that the Group would continue as a going concern in the foreseeable future. At the date of preparation of these consolidated financial statements, the Management Board of X–Trade Brokers Dom Maklerski S.A. does not state any circumstances that would threaten the Group companies' continued operations.

The consolidated financial statements were drafted in thousands of PLN unless otherwise indicated.

3.2. Changes in the accounting policies

The accounting policies used for preparing these consolidated financial statements are consistent with those used in preparing the Company's consolidated financial statements as at and for the year ended 31 December 2014, except for the application of the following amendments to standards and new interpretations effective for annual periods beginning on 1 January 2015:

- Annual Improvements to IFRSs 2011–2013, comprising:
  - Amendments to IFRS 3 *Business Combinations*

The amendments clarify that not only joint ventures but also joint arrangements remain outside the scope of IFRS 3. This exception is used only for preparing the financial statements of a joint arrangement. This amendment is applied prospectively.

The application of these amendments did not have an effect on the financial position or results of operations of the Group.

- Amendments to IFRS 13 *Fair Value Measurement*

  The amendments clarify that the exception concerning the investment portfolio is applicable not only to financial assets and financial liabilities, but also to other contracts covered by IAS 39. The amendments are applied prospectively.

  The application of these amendments did not have an effect on the financial position or results of operations of the Group.

- Amendments to IAS 40 *Investment Property*

  The description of additional services presented in IAS 40 distinguishes investment property from owner-occupied property (i.e. from property, plant and equipment). This amendment is applied prospectively and it clarifies that it is IFRS 3 rather than the definition of additional services contained in IAS 40 that is used for determining whether a transaction is the acquisition of an asset or a business.

  The application of these amendments did not have an effect on the financial position or results of operations of the Group.

- IFRIC 21 *Levies*

  This interpretation clarifies that an entity recognizes a liability for a levy when an obligating event occurs, i.e. the activity that triggers the payment of the levy in accordance with the relevant legislation. In the case of levies payable on reaching a minimum threshold, the entity does not recognize a liability until that threshold is reached. IFRIC 21 is applied retrospectively.

  The application of these amendments did not have an effect on the financial position or results of operations of the Group.

The Group has not decided on the early adoption of any other standard, interpretation or amendment which has been published but is not yet binding in the light of the regulations of the European Union.

3.3. New standards and interpretations which have been published but are not yet binding

The following standards and interpretations have been published by the International Accounting Standards Board but are not yet binding:

- IFRS 9 *Financial Instruments* (published on 24 July 2014) – up until the date of approval of these consolidated financial statements not yet endorsed by the EU – effective for annual periods beginning on or after 1 January 2018,
- Amendments to IAS 19 *Defined Benefit Plans: Employee Contributions* (published on 21 November 2013) – effective for annual periods beginning on or after 1 July 2014, in the EU effective no later than for annual periods beginning on or after 1 February 2015,
- *Annual Improvements to IFRSs 2010–2012* (published on 12 December 2013) – some of the amendments are effective for annual periods beginning on or after 1 July 2014, and some prospectively for transactions occurring on or after 1 July 2014, in the EU effective no later than for annual periods beginning on or after 1 February 2015,
- IFRS 14 *Regulatory Deferral Accounts* (published on 30 January 2014) – in accordance with the decision of the European Commission the process of endorsing the draft version of the standard will not be initiated before the final version of the standard is released – up until the date of approval of these consolidated financial statements not yet endorsed by the EU – effective for annual periods beginning on or after 1 January 2016,
- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations* (published on 6 May 2014) – effective for annual periods beginning on or after 1 January 2016,

- Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortization* (published on 12 May 2014) – effective for annual periods beginning on or after 1 January 2016,
- IFRS 15 *Revenue from Contracts with Customers* (published on 28 May 2014), comprising amendments to IFRS 15 *Effective Date of IFRS 15* (published on 11 September 2015) – up until the date of approval of these consolidated financial statements not yet endorsed by the EU – effective for annual periods beginning on or after 1 January 2018,
- Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants* (published on 30 June 2014) – effective for annual periods beginning on or after 1 January 2016,
- Amendments to IAS 27 *Equity Method in Separate Financial Statements* (published on 12 August 2014) – effective for annual periods beginning on or after 1 January 2016,
- Amendments to IFRS 10 and IAS 28 *Sales or contributions of assets between an investor and its associate/joint venture* (published on 11 September 2014) – no decision has been made as to when the EFRAG will conduct the individual stages of the works leading to the endorsement of these amendments – up until the date of approval of these consolidated financial statements not yet endorsed by the EU – the IASB has postponed the effective date indefinitely,
- *Annual Improvements to IFRSs 2012-2014* (published on 25 September 2014) – effective for annual periods beginning on or after 1 January 2016,
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception* (published on 18 December 2014) – up until the date of approval of these consolidated financial statements not yet endorsed by the EU – effective for annual periods beginning on or after 1 January 2016,
- Amendments to IAS 1 *Disclosures* (published on 18 December 2014) – effective for annual periods beginning on or after 1 January 2016,
- IFRS 16 *Leases* (published on 13 January 2016) – no decision has been made as to when the EFRAG will conduct the individual stages of the works leading to the endorsement of these amendments – up until the date of approval of these consolidated financial statements not yet endorsed by the EU – effective for annual periods beginning on or after 1 January 2019,
- Amendments to IAS 12 *Recognition of deferred tax assets for unrealized losses* (published on 19 January 2016) – up until the date of approval of these consolidated financial statements not yet endorsed by the EU – effective for annual periods beginning on or after 1 January 2017,
- Amendments to IAS 7 *Disclosure Initiative* (published on 29 January 2016) – up until the date of approval of these consolidated financial statements not yet endorsed by the EU – effective for annual periods beginning on or after 1 January 2017.

As at the date of approval of these consolidated financial statements for publication, the Management Board of the Parent Company is analysing the effect of IFRS 16 on the consolidated financial statements. The Management Board of the Parent Company does not expect the introduction of the other standards and interpretations to have a material effect on the Group's accounting policies.

3.4. Data comparability and consistency of the policies applied

The effect of the changes resulting from the restatement of data to ensure comparability for the individual lines of the consolidated statement of comprehensive income and the consolidated statement of financial position for the year ended 31 December 2014 is presented below.

Description of the changes between the audited and restated data:

1. Ref.1 – break–down of cash and cash equivalents shown in the statement of financial position between own funds and customers' funds.
2. Ref.2 – presentation of foreign exchange differences on measurement of settlements with branches and subsidiaries in equity (foreign exchange differences on translation).
3. Ref.3 – deferred tax was presented on a gross basis, the adjustment introduced consisted of offsetting the deferred tax asset and liability relating to the same jurisdiction.
4. Ref.4 – reclassification of deferred income tax liabilities from deferred tax to income tax liabilities.
5. Ref.5 – recognition of the cost of the management option program in particular periods.
6. Ref.6 – bonuses paid to customers and commissions paid to introducing brokers were presented as commission expense. Pursuant to IAS 18, bonuses and commissions are presented as a revenue reduction (details in note 6.1.).
7. Ref.7 – an adjustment aimed at ensuring completeness of consolidation eliminations.

(in PLN'000)	31.12.2014			01.01.2014			
	Audited data	Changes	Restated data	Audited data	Changes	Restated data	Ref
ASSETS							
Own cash and cash equivalents	287 388	–	287 388	413 332	(245 087)	168 245	1
Customers' cash and cash equivalents	267 966	–	267 966	–	245 087	245 087	1
Financial assets held for trading	61 322	–	61 322	71 541	–	71 541	
Financial assets held to maturity	288	–	288	–	–	–	
Financial assets available for sale	241	–	241	–	–	–	
Income tax receivable	56	–	56	8	–	8	
Loans granted and other receivables	3 904	–	3 904	40 522	(39)	40 483	2
Accruals	1 956	–	1 956	2 265	–	2 265	
Intangible assets	17 908	–	17 908	12 929	–	12 929	
Property, plant and equipment	4 489	–	4 489	4 692	–	4 692	
Deferred tax assets	12 799	–	12 799	16 640	(4 909)	11 731	3
Total assets	**658 317**	**–**	**658 317**	**561 929**	**(4 948)**	**556 981**	
EQUITY AND LIABILITIES							
Liabilities							
Amounts due to customers	268 032	–	268 032	246 057	–	246 057	
Financial liabilities held for trading	14 692	–	14 692	11 479	–	11 479	
Income tax liabilities	5 283	2 018	7 301	4 796	2 018	6 814	4
Other liabilities	22 605	–	22 605	24 414	–	24 414	
Provisions for liabilities	565	–	565	608	–	608	
Deferred tax provision	11 429	(2 018)	9 411	17 994	(6 927)	11 067	3,4
Total liabilities	**322 606**	**–**	**322 606**	**305 348**	**(4 909)**	**300 439**	
Equity							
Share capital	5 869	–	5 869	5 869	–	5 869	
Supplementary capital	71 608	–	71 608	71 608	–	71 608	
Other reserves	189 092	–	189 092	102 188	462	102 650	5
Foreign exchange differences on translation	2 535	–	2 535	469	(39)	430	2
Retained earnings	66 607	–	66 607	76 447	(462)	75 985	5
Capital and reserves attributable to owners of the Parent Company	**335 711**	**–**	**335 711**	**256 581**	**(39)**	**256 542**	
Total equity	**335 711**	**–**	**335 711**	**256 581**	**(39)**	**256 542**	
Total equity and liabilities	**658 317**	**–**	**658 317**	**561 929**	**(4 948)**	**556 981**	

(in PLN'000)	Year ended 31.12.2014			
	Audited data	Changes	Restated data	Ref
Net gains/losses on other financial instruments	202 014	(4 229)	197 785	6
Fee and commission income	5 494	577	6 071	7
Other	578	–	578	
Revenues from operating activity	**208 086**	**(3 652)**	**204 434**	
Salaries and employee benefits	(55 456)	462	(54 994)	5
Marketing	(23 029)	(555)	(23 584)	6,7
Other external services	(18 009)	456	(17 553)	6,7
Maintenance and rental of buildings	(6 815)	–	(6 815)	
Depreciation and amortisation	(5 746)	–	(5 746)	
Taxes and fees	(1 933)	–	(1 933)	
Commission expense	(5 170)	1 256	(3 914)	6
Other costs	(6 012)	2 495	(3 517)	6
Total operating expenses	**(122 170)**	**4 114**	**(118 056)**	
Operating profit	**85 916**	**462**	**86 378**	
Finance income	11 853	–	11 853	
Finance costs	(1 203)	–	(1 203)	
Profit before income tax	**96 566**	**462**	**97 028**	
Income tax	(19 964)	–	(19 964)	
Net profit	**76 602**	**462**	**77 064**	
Earnings per share:				
- basic profit per year attributable to shareholders of the Parent Company (in PLN)	0,65		0,66	
- basic profit from continued operations per year attributable to shareholders of the Parent Company (in PLN)	0,65		0,66	
- diluted profit of the year attributable to shareholders of the Parent Company (in PLN)	0,65		0,65	
- diluted profit from continued operations of the year attributable to shareholders of the Parent Company (in PLN)	0,65		0,65	

4. Adopted accounting policies

4.1 Rules of consolidation

The consolidated financial statements contain the financial information of the Parent Company and subsidiaries as at 31 December 2015 and 31 December 2014. The financial statements of subsidiaries, after adjustments made to ensure compliance with the IFRS, are prepared for the same reporting period as the financial statements of their parent companies, with the application of consistent accounting principles, based on uniform accounting policies applied to transactions and economic events of a similar nature. Adjustments are made in order to eliminate any discrepancies in the accounting methods.

4.1.1 Business combinations

Acquisitions of entities and organised parts of the business are recognised under the acquisition method. Each payment made as a result of a business combination is measured at the aggregate fair value (as at the date of payment) of transferred assets, liabilities incurred or acquired and capital investments issued in

exchange for taking over the target. Costs directly related to the business combination are recognised in profit or loss at the time they were incurred.

In some cases, the payment transferred also includes assets or liabilities arising under contingent payment, measured at fair value at the date of acquisition. Changes in the fair value of a contingent payment over subsequent periods are recognised as changes in the cost of the combination only if they can be classified as changes over the measurement period. All other changes are settled in accordance with applicable IFRS regulations. Changes in the fair value of a contingent payment classified as an equity component are not disclosed.

Identifiable assets, liabilities and contingent liabilities of the target that meet the criteria for disclosure under IFRS 3 Business combinations are recognised at fair value as at the acquisition date, taking into account the exceptions set out in IFRS 3.

In settling transactions under joint control, the Group applies the acquisition method.

Where control is acquired as a consequence of several subsequent transactions, interests held as at the date of takeover are measured at fair value and their results are recognised in income or expenses for the period. Amounts accrued under shares in that entity, previously recognised under comprehensive income, are carried over to income or expenses for the period.

4.1.2 Investments in subsidiaries

Subsidiaries are understood as entities controlled by the Parent Company (inclusive of special purpose entities). It is assumed that the Group controls another entity in which the investment was made, when due to its involvement in this unit it is exposed to changing financial results, or when it has rights to variable financial results and the ability to affect the amount of these financial results through the exercise of power over the entity.

Financial results of subsidiaries acquired or sold in the course of the year are recognised in the consolidated financial statements from/until the time of their effective acquisition or disposal.

Any transactions, balances, income and expenses between the entities consolidated within the Group are subject to full consolidation elimination.

Non–controlling interests are presented separately from equity attributable to the owners of the Parent Company. Non–controlling interests may initially be measured at fair value or in proportion to the fair value share of acquired net assets. One of the above methods may be selected by any business combination. In subsequent periods, the value of non–controlling interests comprises the value initially recognised, adjusted for changes in the value of the entity's equity in relation to the shares held. Comprehensive income is allocated to non–controlling interests even if it results in a negative value for these interests.

Changes in the share in a subsidiary not resulting in a loss of control are recognised as equity transactions. The book values of the share of the Parent Company's owners and of the non–controlling interests are modified accordingly to reflect any changes in the interest structure. The difference between the value by which the value of non–controlling interests is adjusted and the fair value of the payment received or made is recognised directly in equity.

In the event of a loss of control over a subsidiary, the gain or loss on the disposal is calculated as the difference between: (i) the total fair value of the payment received and the fair value of the entity's shares remaining with the Parent Company, and (ii) the book value of assets (together with goodwill), liabilities and non–controlling interests. Amounts recognised for the entity being sold under other items of comprehensive income are reclassified to the income or expense for the period. The fair value of assets in the entity remaining with the Parent Company following the disposal is treated as the initial fair value for

the purpose of their subsequent disclosure under IAS 39, or initial cost of shares in associates or joint ventures.

4.1.3 Goodwill

Goodwill occurring at acquisition results from a surplus, as at the date of acquisition, of the sum of the payment made, the value of non–controlling interests and the fair value of previously held shares in the target over the Parent Company's share in the net fair value of identifiable assets, liabilities and contingent liabilities of the entity, recognised as at the date of acquisition.

If a negative value occurs, another review is performed of the fair value calculations for each net asset being acquired. If the value remains negative after the review, it is promptly disclosed under profit or loss.

Goodwill is initially disclosed as an asset at purchase price being the amount of the above–mentioned surplus, and then measured at purchase price less accumulated impairment loss.

For the purpose of testing for impairment, goodwill is allocated to individual cash–generating units that should benefit from synergies resulting from the combination. Cash–generating units to which goodwill is allocated are tested for impairment once a year or more often, if there are reasonable grounds to suspect that impairment has occurred. If the recoverable amount of a cash–generating unit is lower than its carrying amount, impairment loss is first allocated to reduce the carrying amount of goodwill allocated to that unit, and then to other assets of that unit in proportion to the carrying amount of that entity's assets. Impairment loss entered for goodwill cannot be reversed in the next period.

At the time of disposal of a subsidiary or a jointly–controlled entity, the portion of goodwill allocated thereto is taken into account in calculating the profit/loss on disposal.

Goodwill resulting from acquisition of an entity located overseas is treated as an asset of the entity located overseas and is translated at the exchange rate in effect on the balance sheet date.

4.2 Functional currency and reporting currency

Transactions executed in currencies other than the functional currency are entered on the basis of the exchange rate as at the transaction date. As at the balance sheet date, the monetary assets and liabilities in foreign currencies are translated using the average NBP rate as at that date. Non–cash items are carried based on historical cost.

The Parent Company's functional currency is the Polish zloty, which is also the functional currency of these consolidated financial statements.

Foreign exchange differences are reported under revenue or expenses of the period in which they occur, except for:

- foreign exchange differences regarding construction–in–progress which are included in expenses connected with such construction–in–progress and treated as adjustments of interest expenses on loans in foreign currencies;
- foreign exchange differences arising from cash items of receivables or amounts due to foreign operations with whom no settlements are planned, or such settlements are improbable, representing a portion of net investments into a foreign operation and recognised under capital reserve on the translation of foreign operations and profit/loss on the disposal of a net investment.

The following exchange rates were adopted for the purpose of measuring assets and liabilities as at the balance sheet date and for converting items of the comprehensive income statement:

Currency	Statement of financial position		Statement of comprehensive income	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
USD	3,9011	3,5072	–	–
EUR	4,2615	4,2623	4,1848	4,1784
CZK	0,1577	0,1537	0,1534	0,1522
RON	0,9421	0,9510	0,9421	0,9392
HUF	0,0136	0,0135	–	–
GBP	5,7862	5,4648	–	5,2225
TRY	1,3330	1,5070	–	1,4508
UYU	0,1302	0,1461	0,1378	0,1356

4.3 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank deposits on demand. Other monetary assets are short–term, highly liquid investments that are readily convertible to specific amounts of cash and which are subject to an insignificant risk of changes in value. The Group classifies as cash equivalent investments which are readily convertible to a specific amount of cash, are subject to an insignificant risk of changes in value, and with payment terms of up to three months as of the date of acquisition.

Cash flows are inflows and outflows of cash and other monetary assets. The Group discloses cash flows from operating activities using the indirect method, whereby profit or loss is adjusted for the effects of non–cash transactions, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with investing or financing cash flows and items of income or expense associated with investing or financing cash flows. Income from interest received on cash and other monetary assets and expenses from interest paid to customers are classified under operating activities, while expenses from interest paid under finance lease are classified under financing activities.

Cash comprises the Group's own cash and customers' cash. Customers' cash is deposited in bank accounts separately from the Group's cash. Customers' cash and cash equivalents are not analysed in the consolidated cash flow statements. The Group achieves economic benefits from investing the customers' cash and cash equivalents.

4.4 Financial assets and liabilities

Investments are entered as at the date of purchase and derecognised from the financial statements as at the date of sale (transactions are recognised as on the date of conclusion) if the agreement requires their delivery on a specific date set forth by the market, and their initial value is measured at fair value. Transaction costs of the acquisition of financial assets and liabilities at fair value through profit or loss are entered under costs for the period, while the transaction costs of other types of assets and liabilities are recognised at the initial value of these assets and liabilities.

Financial assets are classified as follows:

- financial assets at fair value through profit or loss;
- financial assets held to maturity;
- financial assets available for sale, and
- loans and receivables.

Financial liabilities are classified as follows:

- financial assets at fair value through profit or loss, and

- other financial liabilities.

The classification depends on the nature and designation of the financial assets and liabilities, and is determined at initial recognition.

4.4.1 Financial assets at fair value through profit or loss

This group of financial assets includes financial assets held for trading or classified as carried at fair value through profit or loss at initial recognition.

In this category, the Group discloses mainly OTC derivatives and derivatives in stock exchanges, as well as listed stocks.

A financial asset is classified as held for trading if:

- it was acquired principally for the purpose of selling in the short–term; or
- it is part of a specific financial instrument portfolio managed jointly by the Group in accordance with the current and actual model for generating short–term profits; or
- is a derivative instrument not classified and not operating as collateral.

Financial assets not held for trading may be classified at fair value through profit or loss at initial recognition if:

- such classification eliminates or significantly mitigates inconsistencies in the measurement or recognition existing under different circumstances; or
- such asset is an element of the Group's financial assets under management and its performance is measured at fair value in accordance with a documented risk or investment management strategy of the Group, under which information on clustering assets is provided internally; or
- it is part of a contract comprising one or more embedded derivatives, and under IAS 39 Financial Instruments: Recognition and Measurement, an entire contract (an asset or liability) may be classified as an item carried at fair value through profit or loss.

Financial assets at fair value through profit or loss are disclosed at fair value and the resulting financial profits or losses are entered in the comprehensive income statement. The net profit or loss disclosed in the comprehensive income statement includes dividend or interest generated by the given financial asset.

4.4.2 Financial assets held to maturity

Investments and other financial assets, other than derivatives, with established or identifiable cash flows and fixed maturities which the Group intends and is able to hold to maturity are classified as investments held to maturity. They are measured at amortised cost, using the effective interest rate method, less impairment.

4.4.3 Loans and receivables

Trade receivables, loans and other receivables of established or identifiable cash flows, which are not traded in an active market, are classified as loans and receivables. They are measured at amortised cost using the effective interest rate method, taking into consideration their impairment. Interest income is recognised using the effective interest rate save for current receivables, where recognising interest would be negligible.

In this category, the Group classifies principally loans granted and amounts due from customers and counterparties.

4.4.4 Financial assets available for sale

Financial assets available for sale include non–derivative financial assets designated as available for sale or not classified in any of the above categories.

Gains and losses resulting from changes of adjustments to fair value are reported under other comprehensive income, except for impairment write–offs, interest calculated using the effective interest rate and negative and positive foreign exchange differences disclosed directly under income or expenses for the period. In the event of disposal or impairment of an investment, accumulated profit or loss disclosed previously under other comprehensive income is recognised under income or expenses for the period.

Dividend on equity investments available for sale is disclosed under income at the time the Group obtains the right to such dividend.

4.4.5 Fair value measurement

Fair value is the price that can be obtained at the date of valuation from the sale of an asset or can be paid for the transfer of liability in an ordinary transaction between market participants.

For financial instruments available on an active market, the fair value is measured based on quoted market prices. A market is considered to be active if the quoted prices are generally and directly available and represent current and actual transactions concluded between unrelated parties.

For instruments for which there is no active market, the fair value is determined on the basis of valuation models. Valuation models are applied in measuring vanilla options based on the Black–Scholes pricing formula and to digital options based on the distribution of probability of a concrete price of the underlying instrument on the expiration date of the option. Such probability distribution is established by means of translation of market-related volatility surface, using the Black–Scholes model equations.

The fair value of a financial instrument at initial recognition is the transaction price, i.e. fair value of the price paid or received.

Pursuant to IFRS 13 "Fair Value Measurement", the Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimizing the use of unobservable inputs, namely:

1. valuation based on the data fully observable (active market quotations);
2. valuation models using information which does not constitute the data from Level 1, but observable, either directly or indirectly;
3. valuation models using unobservable data (not derived from an active market).

Valuation techniques used to determine fair value are applied consistently. Change in valuation techniques resulting in a transfer between these methods occurs when:

- transfer from Method 1 to 2 takes place when, for financial instruments measured using Method 1, quoted prices from an active market are not available at the balance sheet date (and they used to be);

- transfer from Method 2 to 3 takes place when, for financial instruments measured using Method 2, the value of parameters not derived from the market has become material at a given balance sheet date (and it used to be immaterial).

4.4.6 Impairment of financial assets

Financial assets, aside from those carried at fair value through profit or loss, are tested for impairment at every balance sheet date. Financial assets are impaired when there is objective evidence that the events which occurred after initial recognition of the asset have an adverse impact on the estimated future cash flows of the given financial assets.

Concerning listed stock classified as available for sale, a material or long-term decline in share prices is considered to be objective evidence of impairment.

For certain categories of financial assets, e.g. trade receivables, specific assets which are not considered past due, are tested for impairment cumulatively. Objective evidence of impairment of a portfolio of receivables includes the Group's experience in collecting receivables; increase in the number of payments past due by 90 days on average and observable changes in the domestic or local economic environment which are connected with cases of the untimely payment of liabilities.

Regarding financial assets at amortised cost, the amount of an impairment write-off is the difference between the carrying amount of an asset and the current value of estimated future cash flows discounted based on the initial effective interest rate of the given financial assets.

In the case of financial assets at cost, the amount of an impairment write-off is the difference between the carrying amount of an asset and the current value of estimated future cash flows discounted based on the current market rate of return of similar financial assets.

For debt instruments classified as available for sale, if the amount of an impairment write-off decreases in the next reporting period, and its decrease can reasonably be connected with an event that occurred after the impairment, the previous write-off is reversed and recognised under income of the period.

For equity instruments classified as available for sale, impairment write-downs previously carried through profit or loss are not subject to reversal. Any increases in fair value after impairment are disclosed in other comprehensive income.

4.4.7 Derecognition of financial assets from the balance sheet

The Group derecognises a financial asset from the balance sheet only when contractual rights to cash flows generated by the asset expire or when the financial asset with essentially all risks and rewards of ownership of such asset is transferred to another entity. If the Group does not transfer or retain essentially all risks and rewards of ownership of such asset, and continues to control it, the Group recognises the retained share in such asset and related liabilities under payments due, if any. If, in turn, the Group retains essentially all the risks and benefits of the asset transferred, it continues to recognise the relevant financial asset. At the time of derecognising a financial asset in full, the difference between (i) the carrying amount and (ii) the sum of payment received and any accumulated gains or losses entered under other comprehensive income, is recognised under the income or expenses for the period.

4.4.8 Financial liabilities at fair value through profit or loss

This group includes financial liabilities held for trading or classified as carried at fair value through profit or loss at initial disclosure.

A financial liability is classified as held for trading if:

- it was incurred primarily for repurchase over a short period of time;
- it is part of a specific financial instrument portfolio managed jointly by the Group in accordance with the current and actual model for generating short–term profits; or
- it is a derivative instrument not classified and not operating as collateral.

A financial liability not held for trading may be classified as measured at fair value through profit or loss at initial recognition, if:

- such classification eliminates or significantly mitigates inconsistencies in measurement or recognition that would occur otherwise; or
- a financial liability of the Group belongs to financial liabilities under management and its performance is measured at fair value in accordance with a documented risk or investment management strategy of the Group, under which information on clustering liabilities is provided internally; or
- it is part of a contract comprising one or more embedded derivatives, and under IAS 39, it is permissible to classify the entire contract (an item of assets or liabilities) as items carried at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are disclosed at fair value and the resulting financial profits or losses are entered under income or expenses for the period, and the resulting financial profit or loss is recognised as the income or expenses for the period, taking into account interest paid on a given financial liability.

4.4.9 Other financial liabilities

Other financial liabilities, including bank loans and borrowings, are initially carried at fair value less transaction costs.

Later on, they are measured at amortised cost using the effective interest rate method.

The effective interest rate method is used to calculate amortised cost of a liability and to allocate interest costs in the appropriate period. The effective interest rate is a rate effectively discounting future cash payments in the anticipated useful life of a given liability or a shorter period if necessary.

4.4.10 Derecognition of financial liabilities from the balance sheet

The Group derecognises financial liabilities from the balance sheet only if the appropriate liabilities of the Group are performed, invalidated or if they expire. At the time of derecognising a financial liability, the difference between (i) the carrying amount and (ii) the sum of payment made any accumulated gains or losses is entered under income or expenses for the period.

4.5 Clearings with the Central Securities Depository of Poland

The clearings with the Central Securities Depository of Poland (KDPW) include amounts due from the KDPW Group under the clearing fund, margins, transactions in derivatives and the liabilities for the services provided by the KDPW Group to the Group. The clearing fund is a fund used to secure the correct payment of the liabilities following from the clearing of transactions concluded on the regulated market by KDPW_CCP.

The KDPW group includes:

- Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A. ("KDPW") – responsible for the clearing of transactions entered into on the regulated market and in the alternative trading system, as well as maintenance of the central securities depository;
- KDPW_CCP S.A. ("KDPW_CCP") – serves as a clearing house on the basis of the function of a central counterparty, and its task is to clear the transactions entered into in a regulated market and in the alternative trading system, and to operate a system for securing the liquidity of clearings.

4.5.1 Amounts due from the clearing fund

The Parent Company makes obligatory payments to the clearing fund maintained by KDPW_CCP, which are disclosed as amounts due from the KDPW. The clearing fund secures appropriate performance of the obligations resulting from the clearings of transactions entered into on the regulated market, executed by KDPW_CCP.

4.5.2 Receivables under margins

Until the end of 2014, as part of the system of securing transaction clearing liquidity, the Group was paying margins to KDPW_CCP, which were disclosed as amounts due from the KDPW. Margins hedged the risk of changes in the value of a portfolio of transactions executed on the spot and forward markets within a specific time horizon.

4.5.3 Contributions to the compensation scheme

The Parent Company makes obligatory payments to the compensation scheme maintained by KDPW which constitute long–term receivables of the compensation scheme participant due from the KDPW.

Pursuant to the Act on Trading in Financial Instruments of 29 July 2005 (Journal of Laws No. 183, item 1538, as amended, hereinafter, the "Act"), the Parent Company participates in the obligatory compensation scheme. The purpose of the compensation scheme maintained by the KDPW is to secure the assets held in cash accounts and securities accounts of customers of brokerage houses and banks maintaining securities accounts, in the event of their loss, in accordance with the principles established in the Act. The compensation scheme is created from payments made by its participants and profits generated on such payments. Payments contributed to the compensation system may be returned to a brokerage house only when it is fully discharged from participation in the system (it winds up its operations specified in the decision on withdrawal, repeal of a permit to provide brokerage services or expiry of such permit) and provided that such funds have not already been used for purposes as specified. On a quarterly basis, the KDPW informs system participants of accrued profits. The Parent Company's payments to the compensation system are reported as expenses, under "Other costs" in the comprehensive income statement.

The Parent Company maintains a register of payments to the compensation system and profits generated in connection with the management of funds collected by the KDPW in the compensation scheme in a manner that enables calculation of the balances of payments made and profits accrued.

4.5.4 Clearing fund

In accordance with the applicable regulations, the Parent Company also makes obligatory payments to the clearing system managed by the KDPW which ensures appropriate performance of the obligations resulting from transactions entered into on the regulated market and cleared by the KDPW.

4.6 Intangible assets

Intangible assets include the Group's assets which do not exist physically, which are identifiable and can be reliably measured, and which will give the Group economic benefits in the future.

Intangible assets are disclosed initially at cost of acquisition or production. As at the balance sheet date, intangible assets are carried at cost less accumulated amortisation and impairment write–offs, if any.

Intangible assets arising as a result of development works are disclosed in the statement of financial position, provided that the following conditions are met:

- from a technical point of view, it is feasible to complete the intangible asset so that it is available for use or sale;
- it is possible to demonstrate the intent to complete the intangible asset and to use and sell it;
- the intangible asset will be fit for use or sale;
- it is known how the intangible asset will generate probable future economic benefits;
- technical and financial resources necessary to complete development works and its use or sale will be provided;
- it is possible to reliably measure the expenditures attributable to the intangible asset during its development.

The expenditures attributable to the intangible asset during its development and expenditures that do not meet the above criteria are disclosed as expenses in the comprehensive income statement as on the date they were incurred.

Amortisation of intangible assets is carried out on the basis of rates reflecting their estimated useful lives. The Group has no intangible assets with an indefinite useful life. The straight-line method is applied to depreciate intangible assets with a definite useful life. The useful life of the respective intangible assets is as follows:

Type	Amortization period
Software licences	5 years
Intangible assets manufactured internally	5 years
Other intangible assets	10 years

Intangible assets are tested for impairment, whenever there is an indication of impairment, however with regard to intangible assets in the period of realisation, a potential impairment is defined at each balance sheet date. Effects of impairment and of amortisation of intangible assets are disclosed under operating expenses.

Intangible assets held under finance lease agreements are depreciated over their expected useful life, in the same manner as own assets, but for a period no longer than the term of the lease.

Gains or losses from sale / liquidation or discontinued use of items of property, plant and equipment are defined as the difference between revenue from sales and the carrying amount of these items, and disclosed in the comprehensive income statement.

4.7 Property, plant and equipment

Property, plant and equipment include items of property, plant and equipment as well as expenses for property, plant and equipment under construction which the Company intends to use in connection with its operations and for administration purposes, in a period of over 1 year, and which will bring economic benefits in the future. Expenditures on property, plant and equipment include actual capital expenditures, as well as expenditures for future supplies of equipment and services connected with the development of items of property, plant and equipment (prepayments made). Property, plant and equipment include significant specialist spare parts which are elements of a tangible asset.

Property, plant and equipment and expenses for property, plant and equipment under construction are initially disclosed at cost of acquisition or production. Significant components are also treated as separate items of property, plant and equipment. As at the balance sheet date, property, plant and equipment is carried at cost less depreciation and impairment write-offs, if any.

Depreciation of property, plant and equipment, including their components, is carried out on the basis of rates reflecting their estimated useful lives, and starts in the month following the month they are accepted for use. Useful life estimates are reviewed on an annual basis. The straight-line method is applied to depreciate property, plant and equipment. The useful life of the respective items of property, plant and equipment is as follows:

Type	Depreciation period
Computers	3 years
Vehicles	5 years
Office furniture and equipment	5 years

Assets held under finance lease agreements are depreciated over their expected useful life, in the same manner as own assets, but for a period no longer than the term of lease.

Gains or losses from sale / liquidation or discontinued use of items of property, plant and equipment are defined as the difference between revenue from sales and the carrying amount of these items, and disclosed in the comprehensive income statement.

4.8 Lease

Lease is classified as finance lease if, under an agreement, substantially all potential profits and risk from holding a leased object is transferred to the lessee. All other types of lease are treated as operating lease.

Assets used under finance lease agreements are treated as the Group's assets and measured at fair value at the time of acquisition, but no higher than the current value of the minimum lease payments. The liability to the lessor is disclosed in the statement of financial position, under "Other liabilities".

Lease payments are divided into the interest portion and reduction in the lease liability to ensure that the interest rate on the remaining liability is constant. Finance costs are entered directly in the comprehensive income statement unless they can be directly ascribed to appropriate assets. In such cases, they are capitalised in accordance with the Group's accounting policies concerning debt service costs. Contingent lease payments are entered under expenses at the time they were incurred.

Payments under operating lease are reported as expenses of the period, using the straight line method, over the term of lease, except for cases where another systematic settlement basis is more representative for the time pattern governing the consumption of economic benefits resulting from leasing a given asset. Contingent operating lease payments are entered under expenses at the time they were incurred. The Group has operating lease agreements for the lease of office premises.

If there were special incentives to enter into an operating lease agreement, they are recognised as liabilities. Aggregate benefits connected with such incentives are disclosed as a decrease in rent expenses, using the straight–line method, except for cases where another consistent basis is more representative of the time pattern governing the consumption of economic benefits resulting from leasing a given asset

4.9 Impairment of property, plant and equipment and intangible assets except goodwill

As at each balance sheet date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets for indications of impairment. If such indications are identified, the Group estimates the recoverable amount of a given asset in order to determine the potential write-down thereon. When an asset does not generate cash flows that are largely independent of those from other assets, an analysis is carried out for the Group's cash-generating assets to which a given asset belongs. Where it is possible to specify a reliable and uniform allocation basis, the Group's property, plant and equipment are allocated to the relevant cash-generating units or the smallest clusters of cash-generating units for which such reliable and uniform allocation bases can be established.

For intangible assets with an indefinite useful life, an impairment test is performed yearly and whenever there are any indications of potential impairment.

The recoverable amount is calculated as the higher of: fair value less selling costs or value-in-use. The latter value represents the current value of estimated future cash flows discounted using the discount rate before tax taking into account the current market time value of money and the asset-specific risk.

If the recoverable amount is lower than the carrying amount of an asset (or a cash-generating unit), the carrying amount of the asset or the unit is decreased to the recoverable amount. Impairment loss is recognised promptly as the cost of the period when it occurred.

If the impairment loss is then reversed, the net value of an asset (or a cash-generating unit) is increased to the newly estimated recoverable amount, however no higher than the carrying amount of the assets that would be established had the impairment loss of an asset / cash-generating unit not been recognised in the preceding years. A reversal of impairment losses is disclosed promptly in the comprehensive income statement.

4.10 Provisions for liabilities

Provisions for liabilities are established when the Group has an existing legal or constructive obligation connected with past events and it is probable that the performance of this obligation will result in an outflow of funds representing economic benefits, and the amount of the liability can be reliably assessed, although the amount or maturity of the liability are not certain.

The amount of the provision recognised reflects the most accurate estimates possible of the amount required to settle the current liability as at the balance sheet date, taking into account risk and uncertainty connected with this liability. In the event of measuring a provision using the estimated cash flow method necessary to settle the current liability, its carrying amount reflects the current value of such cash flows.

If it is probable that some or all of the economic benefits required to settle a provision can be recovered from a third party, such receivable will be recognised as an asset, provided that the probability of recovery is sufficiently high and can be reliably assessed.

4.10.1 Onerous contracts

Current liabilities under onerous contracts are disclosed as provisions. A contract entered into by the Group is considered to be onerous if it involves inevitable costs of performance of contractual obligations whose value exceeds the value of economic benefits expected under the contract.

4.11 Equity

Equity includes capitals and funds established in compliance with the mandatory legal regulations, i.e. applicable laws and the statute. Retained profit is also disclosed under equity. Share capital is disclosed in the amount set out in the Parent Company's Statute. Unregistered payments to the share capital are disclosed under the Parent Company's equity and reported in the nominal amount of the payment received.

4.12 Customers' financial instruments and nominal values of transactions on derivatives (off–balance sheet items)

Off–balance sheet items include: the nominal values of derivatives in transactions executed with customers and brokers in the OTC market, and the values of financial instruments of the Group's customers, acquired on the regulated stock exchange market and deposited in the accounts of the Group's customers.

4.13 The result of operations on financial instruments

The result of operations on financial instruments covers all realised and unrealised income and expenses connected with trading in financial instruments, including dividend, interest and FX rate differences. The result of operations on financial instruments is calculated as the difference between the value of the instrument at the sale price and the purchase price.

The result of operations on financial instruments is composed of the following items:

- Result on financial assets held for trading: result on financial instruments on transactions with customers and brokers;
- The net income/(costs) on financial assets held to maturity: result on debt securities (interest result calculated using the effective interest rate method);
- Gains from the sale of investments in a subsidiary;
- Discounts for customers and commissions for introducing brokers depend on the actual volume of trading in the financial instruments. This item decreases the result on transactions in financial instruments.

4.14 Fee and commission income and expenses

Fee and commission income includes brokerage fees and other charges against financial services charged to customers, and is disclosed at the date when the customer enters into a given transaction.

Fee and commission expenses are connected with financial brokerage services acquired by the Group, and disclosed at the date when the services were provided.

4.15 Cost of employee benefits

Short–term employee benefits, including specific contributions to benefit schemes, are disclosed in the period when the Group received a given benefit from an employee, and in the case of profit distribution or bonus payments, when the following conditions are met:

- the entity has a present legal or constructive obligation to make such payments as a result of past events; and
- a reliable estimate of the obligation can be made.

For paid leave benefits, employee benefits are recognised to the extent of accumulated paid leave, at the time of performance of work that increases the entitlement to future paid absences (provision for unused holidays). Non–accumulating paid absences are recognised when the absences occur.

Post–employment benefits in the form of benefit schemes (retirement severance pays) and other long–term benefits (length of service bonuses, etc.) are determined using the projected personal right method, with an actuarial valuation performed at each balance sheet date. Actuarial gains and losses are disclosed in full in the comprehensive income statement. Past service costs are recognised promptly to the extent in which they pertain to benefits already gained, and in other cases amortised with the straight line method for the average period after which such benefits are gained.

Besides, the Parent Company offers a share options scheme for key employees, who received the right to shares before 2012, constituting a payment Program in the form of shares settled in equity instruments. The costs of services rendered by the employees in return for the rights granted are included in the comprehensive income statement in correspondence with the equity (IFRS 2) in the period of rights acquisition.

Pursuant to the requirements of the Regulation of the Minister of Finance of 2 December 2011 on the principles of defining the policy of variable remuneration elements for the management staff by brokerage houses, starting from 2012, the Parent Company applies the policy of variable remuneration elements for the persons occupying key positions. Benefits granted to the employees within the framework of the Program of variable remuneration elements are granted in cash – 50 per cent and in the form of the financial instruments whose value is related to the Parent Company's financial standing – 50 per cent. The part of benefits granted in the form of financial instruments whose value is related to the Parent Company's financial standing, is paid in cash within three years after the date of being granted. The provision for employee benefits due to variable remuneration elements is recognised in accordance with IAS 19 in the comprehensive income statement in "Employee benefits and remuneration".

4.16 Finance income and costs

Finance income includes interest income on funds invested by the Group. Finance costs consist of interest expense paid to customers, interest on finance lease paid and other interest on liabilities.

Interest income and expenses are disclosed in profits or losses of the current period, using the effective interest rate method.

Dividend income is disclosed at the time when the shareholders' right to obtain such dividend is established.

Finance income and costs also include gains and losses arising from foreign exchange rate differences, disclosed in net amounts.

4.17 Tax

The entity's income tax comprises current tax due and deferred tax.

4.17.1 Current tax

Current tax liability is calculated on the basis of the tax result (taxable base) for a given financial year. The tax profit (loss) is different from the accounting net profit (loss) because it does not include non–taxable income and non–deductible expenses. Tax expenses are calculated on the basis of tax rates in force in a given financial year and pursuant to the tax regulations of the countries in which the branches of the Parent Company and its subsidiaries are located.

4.17.2 Deferred income tax

Deferred tax is calculated using the balance sheet method, based on differences between the carrying amounts of assets and liabilities and corresponding tax values used to calculate the tax basis.

Deferred tax liability is established on all taxable positive temporary differences, while deferred tax assets are recognised up to the probable amount of a reduction in future taxable profit by recognised deductible temporary differences and tax losses or credits that the Company may use.

The value of deferred tax assets is assessed as on each balance sheet date and if the expected future taxable profits are not sufficient to realise an asset or its portion, a write-down will be performed.

Deferred tax is calculated based on tax rates that will be applicable when the asset is realised or the liability becomes due. In the statement of financial position, deferred tax is disclosed upon off-set to the extent that it applies to the same tax residency.

4.17.3 Current and deferred tax for the current reporting period

Current and deferred tax is disclosed in the comprehensive income statement, except for cases in which it pertains to items that credit or debit other comprehensive income directly, because then the tax is also disclosed in the other comprehensive income statement, or when it is the result of an initial calculation of a business combination.

4.18 Earnings per share

Earnings per share for each period is calculated by dividing the net profit for the period by the weighted average number of shares outstanding during the reporting period.

5. Material estimates and valuations

In order to prepare its financial statements in accordance with the IFRS, the Group has to make certain estimates and assumptions that affect the amounts disclosed in the financial statements. Estimates and assumptions subject to day-to-day evaluation by the Group's management are based on experience and other factors, including expectations as to future events that seem justified in the given situation. The results are a basis for estimates of carrying amounts of assets and liabilities. Although the estimates are based on best knowledge regarding the current conditions and actions taken by the Group, actual results may differ from the estimates. Adjustments to estimates are recognised during the reporting period in which the adjustment was made provided that such adjustment refers only to the given period or in

subsequent periods if the adjustment affects both the current period and subsequent periods. The most important areas for which the Group makes estimates are presented below.

5.1 Impairment of assets

As at each balance sheet date, the Group determines whether there are any indications of impairment of a given financial asset or group of financial assets. In particular, the Group tests its past due receivables for impairment and writes down the estimated amount of doubtful and uncollectible receivables.

At each balance sheet date, the Group assesses whether there are objective indications of impairment of other assets, including intangible assets. Impairment is recognised when it is highly likely that all or a significant part of the respective assets will not bring about the expected economic benefits, e.g. as a result of expiry of licences or decommissioning.

5.2 Tests for impairment of goodwill

The cash–generating unit to which goodwill has been allocated is subject to annual impairment tests. Impairment tests are conducted using the discounted cash flow method based on financial projections. Forecast financial results of cash–generating units are based on a number of assumptions, some of which (such as those based on observable market data, e.g., macroeconomic conditions) are beyond the Group's control.

5.3 Deferred income tax assets

At each balance sheet date, the Parent Company assesses the likelihood of settlement of unused tax credits with the estimated future taxable profit, and recognises the deferred tax asset only to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised.

5.4 Impairment of property, plant and equipment

At each balance sheet date, the Group assesses whether there are any indications that assets may be impaired. If any such indication exists, the Group formally makes an estimate of the recoverable amount. When the carrying amount of a given asset exceeds its recoverable amount, its impairment is recognized and it is written down to its recoverable amount. The recoverable amount is the higher of the following two amounts: the fair value of a given asset or cash-generating unit, less costs of disposal or value in use determined for individual assets.

5.5 Fair value measurement

Information on estimates relative to fair value measurement is presented in note 41 – Risk management.

5.6 Other estimates

Provisions for liabilities connected with retirement, pension and death benefits are calculated using the actuarial method by an independent actuary as the current value of the Group's future amounts due to employees, based on their employment and salaries as at the balance sheet date. The calculation of the

provision amount is based on a number of assumptions, regarding both macroeconomic conditions and employee turnover, risk of death, and others.

Provision for unused holidays is calculated on the basis of the estimated payment of holiday benefits, based on the number of unused holidays, and remuneration as at the balance sheet date.

Provisions for legal risk are calculated on the basis of the estimated amount of outflow of cash in the case in which it is probable that such outflow will occur, if the given case ends unsuccessfully.