X-TRADE BROKERS DOM MAKLERSKI S.A. CAPITAL GROUP

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

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Contents

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I. Comprehensive income statement

	Note	Year ended 31 Dec 2012 PLN	Year ended 31 Dec 2011 PLN
Result of operations on financial instruments	5	164,971,808	232,244,051
Income from fees and charges	6	4,682,388	6,301,671
Other income		587,387	706,011
Total operating income		**170,241,583**	**239,251,733**
Salaries and employee benefits	7	(37,534,693)	(42,372,289)
Marketing		(28,770,001)	(41,760,186)
Other third party services	8	(14,966,903)	(14,216,394)
Cost of maintenance and lease of buildings		(4,901,058)	(4,402,602)
Depreciation		(3,007,672)	(2,503,108)
Taxes and charges		(6,979,478)	(2,429,269)
Fee expenses	9	(13,320,231)	(23,255,908)
Other costs		(7,101,621)	(7,801,576)
Total operating expenses		**(116,581,657)**	**(138,741,332)**
Operating profit		**53,659,926**	**100,510,401**
Finance income	10	9,953,581	23,496,084
Finance costs	11	(13,679,295)	(778,898)
Profit before tax		**49,934,212**	**123,227,587**
Income tax	27	(9,397,336)	(18,534,553)
Net profit		**40,536,876**	**104,693,034**
Net profit attributable to:			
Owners of the Parent Company		*40,536,876*	*104,693,034*
Non-controlling interests		–	–
Other comprehensive income			
Foreign exchange differences on translation of foreign operations		1,340,177	(1,801,919)
Total comprehensive income		**41,877,053**	**102,891,115**
Total comprehensive income attributable to:			
Owners of the Parent Company		*41,877,053*	*102,891,115*
Non-controlling interests		–	–

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II. Consolidated statement of financial position

	Note	31 Dec 2012 PLN	31 Dec 2011 PLN
ASSETS			
Cash and cash equivalents	12	394,040,562	428,686,584
Financial assets held for trading	13	44,387,046	32,551,814
Financial assets held to maturity	14	–	15,041,709
Receivables under income tax		2,974,200	3,725,600
Loans granted and other receivables	15	43,599,740	41,081,955
Prepayments and accruals	16	2,402,258	2,293,312
Intangible assets	17	9,337,156	4,050,829
Property, plant and equipment	18	3,659,899	3,902,322
Deferred income tax assets	28	15,409,606	11,457,066
Total assets		**515,810,467**	**542,791,191**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Liabilities			
Liabilities to clients	19	210,840,727	188,396,064
Financial liabilities held for trading	20	7,397,139	5,015,411
Liabilities under income tax		2,093,548	161,893
Other liabilities	21	12,617,274	21,319,368
Provisions for liabilities	24	506,086	645,377
Deferred income tax liability	28	12,125,602	8,900,040
Total liabilities		**245,580,376**	**224,438,153**
Shareholders' equity			
Share capital	25	5,869,182	5,520,625
Reserve capital	25	1,850,000	1,850,000
Other reserves	25	224,994,360	138,070,425
Unregistered contribution to shareholders' equity	25	–	69,999,935
Foreign exchange differences on translation	25	(300,253)	(1,640,430)
Retained profit		37,816,558	104,552,239
Shareholders' equity of the owners of the Parent Company		**270,229,847**	**318,352,794**
Non-controlling interests		244	244
Total shareholders' equity		**270,230,091**	**318,353,038**
Total shareholders' equity and liabilities		**515,810,467**	**542,791,191**

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III. Consolidated statement of changes in equity

Consolidated statement of changes in equity for the period from 1 January 2012 to 31 December 2012

	Share capital PLN	Reserve capital PLN	Other reserves PLN	Unregistered contribution to shareholders' equity PLN	Foreign exchange differences on translation PLN	Retained profit PLN	Shareholders' equity of the owners of the Parent Company PLN	Non-controlling interests PLN	Total shareholders' equity PLN
As at 1 January 2012	**5,520,625**	**1,850,000**	**138,070,425**	**69,999,935**	**(1,640,430)**	**104,552,239**	**318,352,794**	**244**	**318,353,038**
Comprehensive income for the reporting year									**–**
Net profit	–	–	–	–	–	40,536,876	**40,536,876**	–	**40,536,876**
Other comprehensive income	–	–	–	–	1,340,177	–	**1,340,177**	–	**1,340,177**
Total comprehensive income for the financial year	**–**	**–**	**–**	**–**	**1,340,177**	**40,536,876**	**41,877,053**	**–**	**41,877,053**
Transactions with the Parent Company's owners entered directly in shareholders' equity	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Distribution of the financial profit	–	–	17,272,557	–	–	(107,272,557)	**(90,000,000)**	–	**(90,000,000)**
Contributions to shareholders' equity	348,557	–	69,651,378	(69,999,935)	–	–	**–**	–	**–**
As at 31 December 2012	**5,869,182**	**1,850,000**	**224,994,360**	**–**	**(300,253)**	**37,816,558**	**270,229,847**	**244**	**270,230,091**

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Consolidated statement of changes in equity for the period from 1 January 2011 to 31 December 2011

	Share capital PLN	Reserve capital PLN	Other reserves PLN	Unregistered contribution to shareholders' equity PLN	Foreign exchange differences on translation PLN	Undistributed profit PLN	Shareholders' equity of the owners of the Parent Company PLN	Non-controlling interests PLN	Total shareholders' equity PLN
As at 1 January 2011	**5,520,625**	**1,850,000**	**71,336,469**	**–**	**161,489**	**66,593,161**	**145,461,744**	**244**	**145,461,988**
									–
Comprehensive income for the reporting year									**–**
Net profit	–	–	–	–	–	104,693,034	**104,693,034**	–	**104,693,034**
Other comprehensive income	–	–	–	–	(1,801,919)	–	**(1,801,919)**	–	**(1,801,919)**
Total comprehensive income for the financial year	**–**	**–**	**–**	**–**	**(1,801,919)**	**104,693,034**	**102,891,115**	**–**	**102,891,115**
									–
Transactions with the Parent Company's owners entered directly in shareholders' equity									**–**
Distribution of the financial profit	–	–	66,733,956	–	–	(66,733,956)	**–**	–	**–**
Contributions to shareholders' equity	–	–	–	69,999,935	–	–	**69,999,935**	–	**69,999,935**
									–
As at 31 December 2011	**5,520,625**	**1,850,000**	**138,070,425**	**69,999,935**	**(1,640,430)**	**104,552,239**	**318,352,794**	**244**	**318,353,038**

IV. Consolidated cash flow statement

	Note	Year ended 31 Dec 2012 PLN	Year ended 31 Dec 2011 PLN
Cash flow from operating activities			
Profit before tax		49,934,212	123,227,587
Adjustments:			
Minority profit (loss)			
(Gain)/Loss on sale or disposal of items of property, plant and equipment		(107,586)	298,050
Depreciation		3,007,672	2,503,108
(Positive)/negative foreign exchange differences on translation of cash		733,771	(11,407,357)
Other adjustments	30.3	1,462,933	(1,998,451)
Change in the balance			
Change in the balance of provisions		(139,291)	607,595
Change in the balance of financial assets and liabilities held for trading		(9,453,504)	2,225,774
Change in the balance of loans granted and other receivables	30.1	(1,296,715)	(5,095,834)
Change in the balance of prepayments and accruals		(108,946)	1,745,165
Change in the balance of liabilities to clients		22,444,663	40,049,158
Change in the balance of other liabilities	30,2	(8,684,240)	7,577,039
Cash from operating activities		**57,792,969**	**159,731,834**
Income tax paid		(7,441,259)	(26,616,711)
Interest		(23,466)	33,605
Net cash from operating activities		**50,328,244**	**133,148,728**
Cash flow from investing activities			
Proceeds from the sale of items of property, plant and equipment		295,200	103,695
Payments for property, plant and equipment	18	(1,764,141)	(1,887,800)
Payments for intangible assets	17	(6,133,826)	(2,244,764)
Inflows/(outflows) from bank deposits		–	229,925
Loans granted	15	(1,221,070)	(21,525,944)
Inflows from repurchase of Treasury bills		15,100,000	–
Acquisition of financial assets held to maturity	14	–	(15,041,709)
Net cash from investing activities		**6,276,163**	**(40,366,597)**

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Consolidated cash flow statement (continued)

	Note	Year ended 31 Dec 2012 PLN	Year ended 31 Dec 2011 PLN
Cash flow from financing activities			
Income from issues of own shares	25	–	69,999,935
Payment of expenses related to repurchase of shares		–	–
Payment of liabilities under finance lease agreements		(481,833)	(391,976)
Interest paid under lease		(34,825)	(33,605)
Dividend paid to owners		(90,000,000)	–
Other expenses		–	–
Net cash from financing activities		**(90,516,658)**	**69,574,354**
Increase in net cash and cash equivalents		**(33,912,251)**	**162,356,485**
Cash and cash equivalents - opening balance		428,686,584	254,922,742
Effect of FX rate fluctuations on the balance of cash in foreign currencies		(733,771)	11,407,357
Cash and cash equivalents - closing balance		**394,040,562**	**428,686,584**
including restricted cash:			
- cash and other monetary assets of clients		*205,492,733*	*185,538,986*
- funds of the Employee Benefit Fund		*1,040*	*3,440*

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V. Supplementary information

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1. Information about the parent company and composition of the Capital Group

The parent company in the X-Trade Brokers Dom Maklerski S.A. Capital Group (the "Group") is X-Trade Brokers Dom Maklerski S.A. (hereinafter: the "Parent Entity", "Parent Company", "Brokerage") with the headquarters located in Warsaw, at ul. Ogrodowa 58, 00-876 Warszawa.

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, 12th Commercial Division of the National Court Register, under No. 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 in 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 Company's organisational structure

These financial statements cover the following foreign branches which form part of the Parent Company:

- X-Trade Brokers Dom Maklerski Spółka Akcyjna, organizační složka – 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 - branch established on 19 December 2007 in Spain. On 16 May 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, organizačná zložka - 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) - 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) - 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 S.A., Magyarorszagi Fioktelepe (branch in Hungary) – branch established on 21 April 2010 in the Republic of Hungary. On 11 May 2010, the branch was registered in the Commercial Register under No. 0117000638 and was granted the following tax identification number: HU22691631.

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- X-Trade Brokers Dom Maklerski Spółka Akcyjna branch in France – 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) – branch established on 28 July 2010 in Italy. On 28 July 2010, the branch was registered in the Commercial Register under No. 07115880960.

1.2. Composition of the Capital Group

The X-Trade Brokers Dom Maklerski S.A. Capital Group is composed of X-Trade Brokers Dom Maklerski S.A. as the parent company and the following subsidiaries:

Company name	Country of the registered office	Percentage share in the capital	
		31 Dec 2012	31 Dec 2011
X Financial Solutions Ltd	United Kingdom	100%	100%
X-Trade Brokers Asesores Bursatiles S.A.	Mexico	98%	98%
xStore Ltd	Cyprus	100%	–

In 2012, the name of the Company XTB UK Ltd was changed to X Financial Solutions Ltd.

X-Trade Brokers Asesores Bursatiles S.A. in Mexico did not undertake any operations in 2012, and X Financial Solutions Ltd in the United Kingdom undertook operations in November 2010.

In 2012, the Parent Company acquired 100 per cent of the shares in xSocial Limited. On 11 December 2012, xSocial Limited changed its name to xStore Ltd.

2. Basis for preparing the financial statements

2.1. Compliance statement

The consolidated statements of the X-Trade Brokers Dom Maklerski S.A. Capital Group, prepared for the financial year from 1 January 2012 to 31 December 2012, contain the financial information of the Parent Company and the financial information of the subsidiaries, which together constitute the "Group".

These financial statements were drafted on the basis of the International Financial Reporting Standards as approved by the European Union (IFRS), and to the extent not regulated by the above standards, pursuant to the provisions of the Accounting Act of 29 September 1994 (Journal of Laws of 2002, No. 76, item 694, as amended), and the accompanying secondary legislation.

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2.2. New standards and amendments to published standards and interpretations approved by the EU, in effect from 2012

- Amendments to IAS 1 Presentation of Financial Statements: Presentation of other comprehensive income – published by the International Accounting Standards Board on 16 June 2011 and effective for annual periods starting on or after 1 July 2012. The European Union approved these amendments on 5 June 2012.

Pursuant to the amendments, an entity is required to present those items of comprehensive income that may in the future be reclassified to the financial result separately from those that will not be reclassified. If other comprehensive income items are presented before their respective tax consequences, the total tax amounts should be allocated to the respective portions of other comprehensive income.

The amendments require a change of the term "comprehensive income statement" to "profit and loss account and other comprehensive income", and other titles may also be used.

- Amendments to IAS 12 Income taxes: Recovery of underlying assets – published by the International Accounting Standards Board on 20 December 2010 and is effective for annual periods beginning on or after 1 January 2013. The European Union approved these amendments on 11 December 2012.

The amendment specifies, among other things, the method of valuation of deferred tax assets and liabilities in the case of investment properties measured at fair value in compliance with IAS 40 *Investment property*. Once the amended standard enters into effect, the interpretation SIC-21 *Income Taxes – recovery of revalued non-depreciable assets* will be withdrawn.

- IAS 19 Employee Benefits – published by the International Accounting Standards Board on 16 June 2011 and effective for annual periods starting on or after 1 January 2013. The European Union approved these amendments on 5 June 2012.

Pursuant to the standards, actuarial gains and losses must be recognised directly in other comprehensive income. The amendments eliminate the 'corridor' approach used in the past to recognise actuarial gains and losses, and the possibility to disclose through profit or loss all changes in liabilities under specific benefits and assets of employee benefit schemes, which is currently permitted under IAS 19. Furthermore, in accordance with the amendments, it will be necessary to calculate the expected returns on the assets under an employee benefit scheme disclosed in the comprehensive income statement using the rate applied to discount the liability under specific benefits.

- IAS 28 (2011) Investments in Associates and Joint-Ventures – published by the International Accounting Standards Board on 12 May 2011 and effective for annual periods starting on or after 1 January 2013. The European Union approved these amendments on 11 December 2012.

Two amendments were made:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations is applied to an investment or its portion, into an associate or a joint-venture, which meets the criteria for being classified as held for sale. Until the portion of an investment held for sale is disposed of, the equity method is applied to the retained portion of an investment, not classified as held for sale. Following the disposal, the retained portion of the investment is measured using the equity method if the retained investment continues to be an investment in an associate or a joint venture.

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- previously (under IAS 28 (2008) and IAS 31) loss of significant influence or joint control resulted, in all cases, in having to revalue the retained share, even in cases where significant influence changed into joint control. IAS 28 (2011) does not require that retained investments be revalued in such cases.

- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities – published by the International Accounting Standards Board on 16 December 2011 and effective for annual periods starting on or after 1 January 2014. The European Union approved these amendments on 13 December 2012.

The amendments do not provide for any new rules of offsetting financial assets and liabilities. However, the offsetting criteria are explained to eliminate inconsistent application of these principles. As follows from the amendment, an entity has a legally enforceable right to set off, if such right:

- is not contingent on the occurrence of a specific future event; and

- is enforceable both under normal business conditions and in the event of a failure to pay or in the case of insolvency or bankruptcy of the entity and all of its counterparties.

- Amendments to IFRS 7: Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities – published by the International Accounting Standards Board on 16 December 2011 and effective for annual periods starting on or after 1 January 2013. The European Union approved these amendments on 13 December 2012.

The amendments set up new requirements regarding disclosures of information on financial assets and financial liabilities subject to offset in the statement of financial position or covered by master offset agreements or other similar agreements.

- Amendments to IFRS 10 Consolidated Financial Statements – published by the International Accounting Standards Board on 12 May 2011 and effective for annual periods starting on or after 1 January 2013. The European Union approved these amendments on 11 December 2012.

IFRS 10 stipulates a new single control model for all entities in which investments have been made, including entities currently covered by the scope of Interpretation of SIC-12 of the Standing Interpretations Committee as Special Purpose Entities. IFRS 10 introduces new control assessment requirements, which differ from the previous requirements under IAS 27 (2008). Under the new control model, an investor controls the entity in which it has invested if:

- it is exposed or entitled to variable returns on its exposure to that entity,

- it is able to affect those returns through its governance over the subject of the investment, and

- there is a link between the above governance and the returns.

The new standard also contains requirements regarding disclosures and requirements on preparing consolidated financial statements. These requirements were carried over from IAS 27 (2008).

- IFRS 12 (2011) Disclosures of Interests in Other Entities – published by the International Accounting Standards Board on 12 May 2011 and effective for annual periods starting on or after 1 January 2013. The European Union approved these amendments on 11 December 2012.

IFRS 12 contains additional requirements regarding disclosures of information on significant judgements made in determining the nature of interests in other entities, joint arrangements, associates and/or separate vehicles.

- IFRS 13 Fair Value Measurement – published by the International Accounting Standards Board on 12 May 2011 and effective for annual periods starting on or after 1 January 2013. The European Union approved these amendments on 11 December 2012.

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IFRS 13 will supersede the guidelines regarding fair value measurement provided in other standards. It defines the notion of fair value, establishes the rules of fair value measurement and requirements regarding disclosure of information on fair value measurement. IFRS 13 clarifies how fair value should be established if it is required or permitted by the other standards.

The standard contains a detailed structure of disclosures that allow users of financial statements to evaluate the methods and data used in determining fair value. For recurring fair value measurement where unobservable inputs are applied, the standard requires disclosure of the effect of fair value measurement on the profit or loss or other comprehensive income.

2.3. New standards, interpretations and amendments to standards pending approval of the EU, not applied earlier by the Group

- Amendments to IFRS 2009-2011 concerning 5 standards - published by the International Accounting Standards Board on 17 May 2012 and effective largely for annual periods beginning on 1 January 2013 or thereafter.

The amendments to International Financial Reporting Standards (2009-2011) contain 7 amendments to 5 standards and consequential amendments to other standards and interpretations. The key amendments pertain to:

- repeat application of IFRS 1: a repeat adopter that elects not to apply IFRS 1 should apply the IFRS retrospectively in accordance with IAS 8, as if it had never stopped applying the IFRS;

- clarification that if a first-time adopter chooses to apply the borrowing cost exemption, it should not restate the borrowing cost component that was capitalised under previous GAAP and should account for borrowing costs incurred on or after the date of transition to the IFRS (or an earlier date as permitted by IAS 23) in accordance with IAS 23;

- clarification that only one comparative period, which is the preceding period, is required for a complete set of financial statements; however, if additional comparative information is provided, it should be accompanied by related notes and should comply with the IFRS;

- clarification that presentation of an opening statement of financial position is required only when a change in accounting policy, a retrospective restatement or a reclassification has a material effect upon the information in that statement of financial position and that, except for disclosures required under IAS 8, other notes related to the opening statement of financial position are no longer required;

- more precise classification and accounting treatment of replacement parts and service equipment;

- elimination of inconsistencies between IAS 32 and IAS 12 regarding disbursement of gains of holders of equity investments and transactional costs connected with equity investments by means of precise clarification that IAS 12 is applicable to income tax on such transactions;

- including a requirement to disclose the value of comprehensive assets and liabilities for specific reporting segments in interim financial information.

- Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures – published by the International Accounting Standards Board on 12 November 2009, supplemented on 28 October 2010, and effective for annual periods starting on or after 1 January 2015.

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These amendments modify the requirements regarding disclosures and translation of comparative data concerning first-time adoption of IFRS 9 Financial Instruments (2009) and IFRS 9 Financial Instruments (2010).

The amendments to IFRS 7 require disclosure of details of first-time adoption of IFRS 9 in the event that the entity does not translate comparative data as stipulated in the requirements of the amended IFRS 9.

If an entity adopts IFRS 9 on or after 1 January 2013, no translation of comparative data for previous periods will be required.

If an entity early-adopts IFRS 9 in 2012, it will be permitted to translate comparative data or provide additional disclosures, in compliance with the requirements of the amended IFRS 7.

If an entity early-adopts IFRS 9 in 2012, it will not be obligated to translate comparative data or provide additional disclosures, as required by the amended IFRS 7.

- IFRS 9 Financial Instruments (2009) - published by the International Accounting Standards Board on 12 November 2009, and effective for annual periods starting on or after 1 January 2015.

The new standard supersedes the guidelines provided in IAS 39 Financial Instruments: Recognition and Measurement on classification and measurement of financial assets. This standard eliminates the categories existing thus far under IAS 39: held to maturity, available for sale and loans and receivables.

At initial recognition, financial assets will be classified in one of the two categories:

- financial assets measured at amortised cost; or

- financial assets at fair value.

A financial asset is measured at amortised cost if two conditions are met:

- assets are held as part of a business model whose objective is to hold assets in order to obtain cash flows under the contract; and

- in compliance with its contractual terms, at certain times the resulting cash flows constitute only repayment of the principal and interest on the unpaid portion of the principal.

Gains and losses on valuation of financial assets carried at fair value are disclosed in the financial result of the period, excluding cases where the equity investment is not held for trading. Under IFRS 9, it is possible to take an irreversible decision on valuation of such financial instrument, at initial recognition, at fair value through other comprehensive income. The election can be made for each instrument separately. Figures disclosed under other comprehensive income cannot be reclassified through profit or loss in subsequent periods.

- IFRS 9 Financial Instruments (2010) - published by the International Accounting Standards Board on 12 November 2009, supplemented on 28 October 2010, and effective for annual periods starting on or after 1 January 2015.

Amendments to IFRS 9 (2010) change the guidelines provided in IAS 39 Financial Instruments: Recognition and Measurement on classification and measurement of financial liabilities and derecognition of financial assets and liabilities.

The standard maintains nearly all of the currently binding requirements of IAS 39 with regard to classifying and measuring financial liabilities and derecognising financial assets and liabilities.

Under the standard, a change of fair value connected with a change of credit risk of a financial liability classified at initial recognition as measured at fair value through profit or loss should be presented under other comprehensive income. Only the remaining portion of profit or loss resulting from the fair value

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valuation should be disclosed through profit or loss for the current period. However, in cases where this requirement leads to a mismatch between income and expenses, the entire change in fair value would be recognised through profit or loss for the period.

Figures disclosed under other comprehensive income are not reclassified in subsequent periods to profit or loss of the current period. They can, however, be reclassified within shareholders' equity.

Under IFRS 9, derivatives linked to unquoted equity investments, which must be settled through delivery of unquoted equity investments the value of which cannot be reliably determined, should be measured at fair value.

- Amendments to IFRS 10 Consolidated Financial Statements, Joint Arrangements, Disclosure of Interests in Other Entities – published by the International Accounting Standards Board on 28 June 2012 and effective for annual periods starting on or after 1 January 2013.

The amendments:

- define the date of initial adoption of IFRS 10 as the beginning of the annual reporting period in which the standard was first adopted (i.e. 1 January 2013, if not adopted earlier). As at that date, the entity verifies if there has been a change in judgements regarding the need to consolidate investments held in other entities;

- limit the requirement to translate comparative information to the period directly preceding the date of first adoption, which applies to all the standards in question. Entities that are voluntarily submiting comparative information for more than one period may keep additional comparative periods untranslated;

- require disclosure of the effect of the accounting policy change on the period immediately preceding the date of first adoption (i.e. disclosure of the effect of changes on the current period is not required);

- eliminate the requirement to disclose comparative information on disclosures concerning unconsolidated structured entities for any period preceding the year-long period in which IFRS 12 was first adopted.

The Parent Company has been considering the impact and the time of adopting IFRS 9, 10 and 10. and 13. The Parent Company believes that the adoption of other standards and interpretations will not have a material impact on the financial statements at the time of initial adoption.

2.4. Early adoption of standards and interpretations

In preparing these financial statements, the Parent Company decided that none of the Standards would be adopted early.

3. Adopted accounting policies

3.1. Rules of consolidation

The consolidated financial statements contain the financial information of the Parent Company and the financial information of the subsidiaries as at 31 December 2011. The financial statements of the subsidiaries are prepared as at the same reporting date as the financial statements of the parent company and, in all material respects, in accordance with the same accounting policies.

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3.1.1 Business combinations

Acquisitions of entities and organised parts of the business are recognised using 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 from the contingent payment, measured as at the date of acquisition at fair value. 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 the appropriate 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 disclosed at fair value as at the acquisition date, taking into account the exceptions set out in IFRS 3.

For control acquired as a result of several consecutive transactions, shares held as at the date of takeover are measured at fair value and recognised under 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.

Goodwill resulting from the acquisition is recorded under assets and initially disclosed at cost, as the value of the cost of acquisition exceeding the share in net fair value of identifiable assets, liabilities and contingent liabilities. If, upon revaluation, the Group's share in net fair value of identifiable assets, liabilities and contingent liabilities of the target exceeds the cost of the business combination, the surplus is promptly recognised in profit or loss.

3.1.2 Investments in subsidiaries

Subsidiaries are understood as entities controlled by the parent company (inclusive of special purpose entities). It is accepted that control is the ability of a parent entity to influence the financial and operating policies of a subsidiary so as to benefit from its activities.

The financial result of subsidiaries acquired or sold over the course of the year is recognised in the consolidated financial statements from/until the time of their effective acquisition or disposal.

In some cases, adjustments are made in the financial statements of subsidiaries to align the accounting policies applied by a given entity with the policies applied by the remaining Group entities.

Any transactions, balances, income and expenses between related parties under consolidation are subject to full consolidation elimination.

Non-controlling interests are presented separately from shareholders' equity of 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 shareholders' 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.

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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 shares is adjusted and the fair value of the payment received or made is recognised directly in shareholders' 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.

3.1.3 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 cost and then measured at cost 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 the 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.

3.2. 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, 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.

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

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- foreign exchange differences regarding assets under construction which are included in expenses connected with such assets under construction and treated as adjustments of interest expenses of loans in foreign currencies;
- foreign exchange differences arising from cash items of receivables or liabilities 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 translation of foreign operations and profit/loss on disposal of a net investment.

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

	31 Dec 2012		31 Dec 2011	
Currency	**Statement of financial position**	**Comprehensive income statement**	**Statement of financial position**	**Comprehensive income statement**
USD	3.0996	–	3.4174	–
EUR	4.0882	4.1736	4.4168	4.1401
CZK	0.1630	0.1661	0.1711	0.1682
RON	0.9197	0.9377	1.0226	0.9773
HUF	0.0140	0.0145	0.0142	0.0148
CLP	–	–	0.0059	0.0058
MXN	0.2380	–	0.2440	–
GBP	5.0119	5.1444	5.2691	4.7537
TRY	1.7357	–	–	–

3.3. Cash and cash equivalents

Cash comprises cash on hand and bank deposits on demand. Other monetary assets are short-term, highly liquid investments that are readily convertible to known 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 known amount of cash, are subject to an insignificant risk of changes in value, and of 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 expenses associated with cash flow from investing or financing activities. Income from interest received on cash and other monetary assets and expenses from interest paid to clients are classified under operating activities, while expenses from interest paid under finance lease are classified under financing activities.

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Cash comprises the Group's own cash and clients' cash. Clients' cash is deposited in bank accounts separately from the Group's cash.

3.4. 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 cost for the period, while transaction costs of other types of assets and liabilities are recognised at initial value of these assets and liabilities.

The 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.

The financial liabilities are classified as follows:

- financial liabilities 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.

3.5.1 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 measurement or recognition
  under different circumstances; or

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- belongs to 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 liabilities 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 financial asset.

3.5.2 Financial assets held to maturity

Investments and other financial assets, other than derivatives, with established or identifiable cash flows and fixed maturities that 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.

In this category, the Group classifies acquired debt securities.

3.5.3 Loans and receivables

Trade receivables, borrowings 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 account 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 receivables from clients and counterparties.

3.5.4 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 when the Group obtains the right to such dividend.

3.5.5 Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing and unrelated parties, in an arm's length transaction.

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For financial instruments available on an active market, the fair value is measured on the basis of 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 not an 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 on the basis of distribution of probability of a specific price of the underlying on the expiration date of the option. Such probability distribution is established by means of translating 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.

3.5.6 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 events that occurred after initial recognition of an asset had an adverse impact on the estimated future cash flows of the asset.

For listed stock classified as available for sale, a material or long-term decline in 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 delayed payments of receivables.

For 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 on the basis of the initial effective interest rate of a given financial asset.

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 on the basis of the current market rate of return for 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 of fair value after impairment are disclosed in other comprehensive income.

3.5.7 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 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. However, if the Group retains essentially all risks and rewards of ownership

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of the asset transferred, it continues to recognise the relevant 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.

3.5.8 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 recognition.

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 a collateral.

A financial liability 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 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 far 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 taking into account interest paid on a given financial liability.

3.5.9 Other financial liabilities

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

They are then measured at amortised cost using the effective interest rate method.

The effective interest rate method is used to calculated 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.

3.5.10 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 is entered under income or expenses for the period.

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3.6. Clearings with the Central Securities Depository of Poland (KDPW)

The clearings with the Central Securities Depository of Poland (KDPW) include receivables from the KDPW Group under the clearing fund, margins, under derivatives and other liabilities under services provided to the Group by the KDPW Group.

The KDPW group includes:

- Central Securities Depository of Poland (Krajowy Depozyt Papierów Wartościowych S.A. ("KDPW") - responsible for the clearing of transactions entered into in 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 liquidity of clearings.

3.6.1 Receivables from the clearing fund

The Parent Company makes obligatory payments to the clearing fund maintained by KDPW_CCP, which are disclosed as receivables from 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.

3.6.2 Receivables under margins

As part of the system of securing transaction clearing liquidity, the Company pays margins to KDPW_CCP, which are disclosed as receivables from KDPW. Margins hedge the risk of changes in the value of a portfolio of transactions executed on the spot and forward markets within a specific time horizon.

3.6.3 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 KDPW.

Pursuant to the Act on Trading in Financial Instruments (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 clients of brokerage houses and banks maintaining securities accounts, in case of 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 scheme may be returned to a brokerage only when it is fully discharged from participation in the scheme (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, 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.

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

3.6.4 Clearing fund

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

3.7. 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 bring 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 depreciation 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 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.

Depreciation 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	Depreciation period
Software licenses	5 years

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

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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 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.

3.8. 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 that the company intends to use in connection with its operations and for administration purposes, in the period of over 1 year, and which will bring economic benefits in the future. Expenditures for property, plant and equipment include actual capital expenditures, as well as expenditures for future supplies of equipment and services connected with developing 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.

3.9. Lease

Lease is classified as finance lease if, under an agreement, substantially all potential profits and risk from holding a leased object are 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".

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Lease payments are divided into the interest portion and reduction of 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, save for cases where another systematic settlement basis is more representative for the time pattern governing consumption of economic benefits resulting from leasing a given asset. Contingent operating lease payments are entered under expenses at the time they were incurred.

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 of rent expenses, using the straight-line method, except for cases where another consistent basis is more representative of the time pattern governing consumption of economic benefits resulting from leasing a given asset.

3.10. Impairment of tangible and intangible assets except goodwill

As at each balance sheet date, the Group reviews the carrying amounts of its tangible 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 tangible assets 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.

Recoverable amount is calculated as the higher of: fair value less the cost of sale 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 losses are recognised promptly as costs of the period in which they are incurred.

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, but 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.

3.11. 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 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.

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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 the 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.

3.11.1 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.

3.12. Shareholders' equity

Shareholders' 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 shareholders' equity and reported in the nominal amount of the payment received.

3.13. Off-balance sheet items

Off-balance sheet items include:

- nominal values of derivatives in transactions executed with clients and brokers in the OTC market,
- values of financial instruments of the Group's clients, acquired on the regulated stock exchange market and deposited in the accounts of the Group's clients.

3.14. 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:

- The result on financial assets held for trading: result on financial instruments in transactions with clients and brokers;
- The result 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

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3.15. Income and expenses from fees and charges

Income on fees and charges includes brokerage fees and other charges against financial services charged to clients, and is disclosed at the date when the client enters into a given transaction.

Expenses under fees and charges are connected with financial brokerage services acquired by the Group, and disclosed at the date when the services were provided.

3.16. 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:

- an 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 pay) and other long-term benefits (length-of-service bonuses etc.) are determined using the projected personal right method, with 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 using the straight-line method for the average period upon which such benefits are gained.

3.17. Finance income and costs

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

Interest income and expenses are disclosed in the 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 expenses also include gains and losses arising from foreign exchange rate differences, disclosed
in net amounts.

3.18. Tax

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

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3.18.1 Current tax

Current tax liability is calculated on the basis of the tax result (taxable base) for a given financial year. 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.

3.18.2 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 amounts 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 reduction of 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 be sufficient to realise an asset or its portion, a write-down will be performed.

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

3.18.3 Current and deferred tax for the current reporting period

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

4. 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 appear justified in a 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. Presented below are the most important areas for which the Group makes estimates.

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4.1. 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.

4.2. Deferred income tax assets

As at each balance sheet date, the Group assesses the likelihood of settlement of unused tax losses with estimated future taxable income, and recognises deferred tax assets only to the extent that it is probable that future taxable income will be available from which the unused tax losses can be deducted.

4.3. Fair value measurement

Information on estimates relative to fair value measurement is presented in Note 34 – Risk management.

4.4. 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 liabilities to employees, based on their employment and salaries as at the balance sheet date. Calculation of the provision amounts is based on a number of assumptions, regarding both macroeconomic conditions and employee turnover, risk of death and others.

Provisions for unused holidays are calculated on the basis of estimated disbursement of holiday benefits, based on the number of days 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 where it is probable that such outflow will occur if the case ends unsuccessfully.

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5. Result of operations on financial instruments

	Year ended 31 Dec 2012 PLN	Year ended 31 Dec 2011 PLN
Profit on financial assets held for trading		
CFDs		
Currency CFDs	76,515,056	135,932,034
Commodity CFDs	41,948,645	58,214,799
Index CFDs	39,786,793	34,197,353
Bond CFDs	1,276,211	433,683
Stock CFDs	2,703,536	2,111,301
Total CFDs	**162,230,241**	**230,889,170**
Options derivatives	**2,681,551**	**1,021,499**
Stocks and derivatives in the stock exchanges	**1,726**	**58,955**
Total profit on financial assets held for trading	**164,913,518**	**231,969,624**
Profit on financial assets held to maturity		
Debt securities	**58,290**	**47,031**
Loss on investment in subsidiaries	**–**	**(45,850)**
The result of operations on financial instruments	**164,971,808**	**231,970,805**

6. Income from fees and charges

	Year ended 31 Dec 2012 PLN	Year ended 31 Dec 2011 PLN
Brokerage fees on operations on financial instruments	3,781,498	6,213,047
Other fees and charges	900,890	88,624
Total income from fees and charges	**4,682,388**	**6,301,671**

Brokerage fees on transactions on financial instruments concern in their entirety fees obtained on stock exchange trading on the Warsaw Stock Exchange, on own behalf and on account of the person issuing the instruction.

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7. Salaries and employee benefits

	Year ended 31 Dec 2012 PLN	Year ended 31 Dec 2011 PLN
Salaries	30,627,514	35,148,564
Social security and other benefits	5,739,952	5,650,111
Employee benefits	1,167,227	1,573,614
Total salaries and employee benefits	**37,534,693**	**42,372,289**

8. Other third party services

	Year ended 31 Dec 2012 PLN	Year ended 31 Dec 2011 PLN
IT services	2,147,548	1,554,799
Data base system services	1,556,893	1,437,386
Market data delivery	2,374,748	2,021,880
Internet and telecommunications	2,344,638	2,393,368
Legal and advisory services	2,562,075	2,910,437
accounting and audit services	1,407,827	1,164,627
Postal and courier services	284,021	361,955
Recruitment	477,392	606,049
Conferences and trainings	316,992	480,288
Other third party services	1,494,769	1,285,605
	14,966,903	**14,216,394**

9. Fee expenses

	Year ended 31 Dec 2012 PLN	Year ended 31 Dec 2011 PLN
Fees for introducing brokers	9,299,150	18,504,006
Stock exchange fees and charges	2,357,304	3,399,581
Other fees	1,663,777	1,352,321
Total fee expenses	**13,320,231**	**23,255,908**

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10. Finance income

	Year ended	
	31 Dec 2012 PLN	**31 Dec 2011 PLN**
Interest income		
Interest on own cash	5,875,478	3,118,722
Interest on clients' cash	3,957,886	3,301,104
Total interest income	**9,833,364**	**6,419,826**
Foreign exchange gains	–	16,580,097
Other finance income	120,217	496,161
Total finance income	**9,953,581**	**23,496,084**

11. Finance costs

	Year ended	
	31 Dec 2012 PLN	**31 Dec 2011 PLN**
Interest expense		
Interest paid to clients	(902,078)	(660,555)
Interest paid under lease agreements	(34,825)	(37,616)
Other interest	(31,872)	(78,447)
Total interest expense	**(968,775)**	**(776,618)**
Foreign exchange losses	(12,023,636)	–
Other finance costs	(686,884)	(2,280)
Total finance costs	**(13,679,295)**	**(778,898)**

12. Cash and cash equivalents

broken down by type

	31 Dec 2012 PLN	**31 Dec 2011 PLN**
In hand	26,580	30,197
In current bank accounts	326,955,600	287,328,555
Short-term bank deposits	67,058,382	141,327,832
Cash and other monetary assets in total	**394,040,562**	**428,686,584**

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Own and clients' cash and cash equivalents

	31 Dec 2012 PLN	31 Dec 2011 PLN
Clients' cash and other monetary assets	205,492,733	185,538,986
Own cash and other monetary assets	188,547,829	243,147,598
Total cash and other monetary assets	**394,040,562**	**428,686,584**

13. Financial assets held for trading

	31 Dec 2012 PLN	31 Dec 2011 PLN
CFDs		
Currency CFDs	16,265,323	16,134,141
Commodity CFDs	10,279,637	5,644,083
Index CFDs	14,318,844	7,230,949
Stock CFDs	1,592,876	1,568,778
Bond CFDs	204,445	185,879
	42,661,125	**30,763,830**
Options derivatives	**1,725,921**	**1,787,984**
Total financial assets held for trading	**44,387,046**	**32,551,814**

14. Financial assets held to maturity

	31 Dec 2012 PLN	31 Dec 2011 PLN
Debt securities	–	15,041,709
Total financial instruments held to maturity	**–**	**15,041,709**

Debt securities include Polish T-bonds.

15. Loans granted and other receivables

	31 Dec 2012 PLN	31 Dec 2011 PLN
Gross receivables from clients	4,619,737	7,653,723
Impairment write-downs of receivables	(319,719)	(308,339)
Total receivables from clients	**4,300,018**	**7,345,384**
Receivables from KDPW		
Receivables from the clearing fund	4,615,345	2,431,510
Receivables under margins	449,656	627,933
Total receivables from KDPW	**5,065,001**	**3,059,443**
Bank deposits with maturities of over 3 months	–	–
Loans granted to associates	27,818,069	27,467,544
Other receivables	6,540,921	3,209,584
Impairment write-downs of receivables	(124,269)	–
Total other receivables	**43,599,740**	**41,081,955**

Movements in impairment write-downs of receivables

	31 Dec 2012 PLN	31 Dec 2011 PLN
Impairment write-downs of receivables - as at the beginning of the reporting period	**(308,339)**	**(308,339)**
establishment of write-downs	(140,777)	–
use	5,128	–
Impairment write-downs of receivables - as at the end of the reporting period	**(443,988)**	**(308,339)**

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16. Intangible assets

Intangible assets in the period from 1 January 2012 to 31 December 2012

	Licenses	Prepayments for intangible assets	Total
Gross value as at 1 January 2012	**2,978,991**	**2,516,598**	**5,495,589**
Purchase	520,520	5,595,263	6,115,783
Transfer from prepayments for intangible assets	1,144,487	(1,144,487)	–
Value adjustments	14,564	–	14,564
Sale and liquidation	–	–	–
Net foreign exchange differences	(47,978)	–	(47,978)
Gross value as at 31 December 2012	**4,610,584**	**6,967,374**	**11,577,958**
Depreciation as at 1 January 2012	**(1,444,760)**	**–**	**(1,444,760)**
Depreciation for the current period	(816,085)	–	(816,085)
Value adjustments	3,479		3,479
Sale and liquidation	–	–	–
Net foreign exchange differences	16,564	–	16,564
Depreciation as at 31 December 2012	**(2,240,802)**	**–**	**(2,240,802)**
Net book value as at 1 January 2012	**1,534,231**	**2,516,598**	**4,050,829**
Net book value as at 31 December 2012	**2,369,782**	**6,967,374**	**9,337,156**

Intangible assets in the period from 1 January 2011 to 31 December 2011

	Licenses	Prepayments for intangible assets	Total
Gross value as at 1 January 2011	**1,748,839**	**1,455,174**	**3,204,013**
Purchase	1,180,658	1,064,107	2,244,765
Transfer from prepayments for intangible assets	2,683	(2,683)	–
Sale and liquidation	(335)	–	(335)
Net foreign exchange differences	47,146	–	47,146
Gross value as at 31 December 2011	**2,978,991**	**2,516,598**	**5,495,589**
Depreciation as at 1 January 2011	**(836,596)**	**–**	**(836,596)**
Depreciation for the current period	(597,456)	–	(597,456)
Net foreign exchange differences	(10,708)	–	(10,708)
Depreciation as at 31 December 2011	**(1,444,760)**	**–**	**(1,444,760)**
Net book value as at 1 January 2011	**912,243**	**1,455,174**	**2,367,417**
Net book value as at 31 December 2011	**1,534,231**	**2,516,598**	**4,050,829**

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17. Property, plant and equipment

Property, plant and equipment for the period from 1 January 2012 to 31 December 2012

	Computer sets	Other tangible assets	Fixed assets under construction	Prepayments for assets under construction	Total
Gross value as at 1 January 2012	**4,446,345**	**4,700,742**	**32,321**	**–**	**9,179,408**
Purchase	1,134,332	460,888	122,624	22,347	1,740,191
Under finance lease	–	463,979	–	–	463,979
Transfer from fixed assets under construction	(87,459)	119,780	(32,321)	–	–
Sale and liquidation	(37,839)	(731,076)	–	–	(768,915)
Value adjustments	5,304	–	–	–	5,304
Net foreign exchange differences	(74,617)	(133,625)	–	–	(208,242)
Gross value as at 31 December 2012	**5,386,066**	**4,880,688**	**122,624**	**22,347**	**10,411,725**
Depreciation as at 1 January 2012	**(2,814,447)**	**(2,462,639)**	**–**	**–**	**(5,277,086)**
Depreciation for the current period	(1,154,472)	(1,037,115)	–	–	(2,191,587)
Sale and liquidation	42,869	(42,869)	–	–	–
Reclassification	9,545	571,757	–	–	581,302
Value adjustments	18,645	–	–	–	18,645
Net foreign exchange differences	46,415	70,485	–	–	116,900
Depreciation as at 31 December 2012	**(3,851,445)**	**(2,900,381)**	**–**	**–**	**(6,751,826)**
Net book value as at 1 January 2012	**1,631,898**	**2,238,103**	**32,321**	**–**	**3,902,322**
Net book value as at 31 December 2012	**1,534,621**	**1,980,307**	**122,624**	**22,347**	**3,659,899**

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Property, plant and equipment for the period from 1 January 2011 to 31 December 2011

	Computer sets	Other property, plant and equipment	Property, plant and equipment under construction	Total
Gross value as at 1 January 2011	**2,748,756**	**4,181,147**	**237,530**	**7,167,433**
Purchase	1,375,432	480,047	32,321	1,887,800
Under finance lease	–	283,600	–	283,600
Transfer from property, plant and equipment under construction	237,530	–	(237,530)	–
Sale and liquidation	(5,560)	(425,831)	–	(431,391)
Net foreign exchange differences	90,187	181,779	–	271,966
Gross value as at 31 December 2011	**4,446,345**	**4,700,742**	**32,321**	**9,179,408**
Depreciation as at 1 January 2011	**(1,722,366)**	**(1,567,176)**	**–**	**(3,289,542)**
Depreciation for the current period	(1,048,241)	(857,411)	–	(1,905,652)
Sale and liquidation	1,563	28,417	–	29,980
Net foreign exchange differences	(45,403)	(66,469)	–	(111,872)
Depreciation as at 31 December 2011	**(2,814,447)**	**(2,462,639)**	**–**	**(5,277,086)**
Net book value as at 1 January 2011	**1,026,390**	**2,613,971**	**237,530**	**3,877,891**
Net book value as at 31 December 2011	**1,631,898**	**2,238,103**	**32,321**	**3,902,322**

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18. Liabilities to clients

	31 Dec 2012 PLN	31 Dec 2011 PLN
Liabilities to clients	210,840,727	188,396,064

Liabilities to clients are connected with the value of cash deposited in the clients' accounts.

19. Financial liabilities held for trading

	31 Dec 2012 PLN	31 Dec 2011 PLN
CFDs		
Currency CFDs	2,208,267	1,141,291
Commodity CFDs	1,187,156	427,953
Index CFDs	2,117,511	1,440,121
Stock CFDs	263,103	212,614
Bond CFDs	12,833	26,760
Total CFDs	**5,788,870**	**3,248,739**
Options derivatives	**1,608,269**	**1,766,672**
Financial liabilities held for trading in total	**7,397,139**	**5,015,411**

20. Other liabilities

	31 Dec 2012 PLN	31 Dec 2011 PLN
Liabilities to brokers	200,800	776,987
Liabilities to the Central Securities Depository of Poland	226,822	516,598
Statutory liabilities	2,106,818	2,053,881
Liabilities due to employees	502,759	265,086
Liabilities under finance lease	374,812	392,666
Provisions for other employee benefits	3,677,141	8,591,854
Trade liabilities	5,528,122	8,722,296
Total other liabilities	**12,617,274**	**21,319,368**

Liabilities under employee benefits include estimates, as at the balance sheet date, of bonuses for the reporting period as well as the provision for unused holiday leave, established in the amount of projected benefits, which the Group is obligated to pay in case of payment of holiday equivalents.

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21. Liabilities under finance lease

The Group entered into finance lease contracts regarding passenger cars. After expiry of the lease contract, the Group has the option to acquire the leased vehicles for a price set in the contract.

Liabilities under finance lease

	Minimum lease payments 31 Dec 2012 PLN	Current value of minimum lease payments 31 Dec 2012 PLN	Minimum lease payments 31 Dec 2011 PLN	Current value of minimum lease payments 31 Dec 2011 PLN
up to 1 year	242,405	217,938	275,571	258,398
1-5 years	161,474	156,874	140,854	134,268
over 5 years	–	–	–	–
Total liabilities under lease	**403,879**	**374,812**	**416,425**	**392,666**

Net carrying amount of items of property, plant and equipment under finance lease

	31 Dec 2012 PLN	31 Dec 2011 PLN
Tangible assets under finance lease	810,641	621,298

22. Operating lease agreements

The Group is a party to office space lease agreements classified as operating lease. Minimum payments under irrevocable operating lease agreements are as follows:

Future lease liabilities by maturity date

	31 Dec 2012 PLN	31 Dec 2011 PLN
Less than 1 year	3,296,049	3,732,663
1-5 years	6,189,858	2,891,411
Over 5 years	483,728	–
Total minimum payments under irrevocable operating lease agreements	**9,969,635**	**6,624,074**

In 2012, the Group covered rent payments under the agreements mentioned above, in the amount of PLN 3,578,451.

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23. Provisions for liabilities

	31 Dec 2012 PLN	31 Dec 2011 PLN
Provision for retirement benefits	105,400	93,917
Provision for legal risk	400,686	551,460
Total provisions	**506,086**	**645,377**

Provisions for retirement benefits are established on the basis of an actuarial valuation carried out in accordance with the applicable regulations and agreements connected with obligatory retirement benefits to be covered by the employer.

Provisions for legal risk include expected amounts of payments to be made in connection with disputes in which the Group is involved.

movements in provisions in the period from 1 January 2012 to 31 December 2012

	Value as at 31 December 2011 PLN	Increases	Decreases		Value as at 31 December 2012 PLN
			Use	Reversal	
Provision for retirement benefits	93,917	61,213	49,730	–	105,400
Provision for legal risk	551,460	135,260	300,000	(13,966)	400,686
Total provisions	**645,377**	**196,473**	**349,730**	**(13,966)**	**506,086**

24. Shareholders' equity

Share capital structure

Series/ issue	Number of shares	Nominal value of shares PLN	Nominal value of issue PLN
Series A, B, C, D	321,599	18.25	5,869,182

All shares in the Parent Company have the same nominal value, are fully paid for, and confer the same voting and profit-sharing rights. No preference is attached to any share series.

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Company's shareholding structure

	31 Dec 2012			31 Dec 2011		
	number of shares	nominal value of shares	share	number of shares	nominal value of shares	share
XXZW Investment Group Limited	259,945	4,743,996	80.83%	259,945	4,743,996	85.93%
Systexan Limited	61,104	1,115,148	19.00%	42,005	766,591	13.89%
Other shareholders	550	10,038	0.17%	550	10,038	0.18%
Total	**321,599**	**5,869,182**	**100.00%**	**302,500**	**5,520,625**	**100.00%**

By resolution of the Management Board of the Parent Company of 22 November 2011, the Parent Company issued 19,099 series E shares with a nominal value of PLN 18.25 and a total nominal value of the issue of PLN 348,557. In 2011, the Parent Company received a payment for shares in the amount of PLN 69,999,935, but the share issue was registered in the National Court Register (KRS) after the balance sheet date on 9 January 2012.

Other capitals

Other capitals consist of:

- reserve capital, mandatorily established from annual profit write-offs to be applied to cover losses that may occur in connection with the Company's operations, up to the amount of at least one third of the Company's share capital,
- reserve capital of PLN 155,342,982, established from annual distribution of profit as resolved by the General Meeting of Shareholders to be used for financing of further operations of the Company or payment of dividend and the share premium in the amount of PLN 69,651,378,
- foreign exchange differences on translation, including foreign exchange differences on translation of balances in foreign currencies of the Company's foreign operations.

25. Profit distribution and dividend

By decision of the General Meeting of Shareholders of the Parent Company, the 2011 net profit of the Parent Company in the amount of PLN 107,272,557 was used to pay out dividend (PLN 90,000,000) and to increase the reserve capital (PLN 17,272,557).

The Management Board of the Parent Company intends to suggest to the General Meeting of Shareholders disbursement of the 2012 dividend in the amount of 75 per cent of the profits, i.e. PLN 31,463,130 (PLN 98 per share) and allocation of the remaining PLN 10,487,710 to the capital reserve.

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26. Income tax

Income tax disclosed in the current period's profit or loss

	Year ended	
	31 Dec 2012 PLN	31 Dec 2011 PLN
Income tax - current portion		
Income tax for the reporting period	(10,124,314)	(23,661,204)
Income tax - deferred portion		
Occurrence/ reversal of temporary differences:	726,978	5,126,651
Total tax expenses	**(9,397,336)**	**(18,534,553)**

Reconciliation of the actual tax burden

	31 Dec 2012 PLN	31 Dec 2011 PLN
Profit before tax	**49,934,213**	**123,227,587**
Income tax based on the applicable tax rate of 19%	**(9,487,500)**	**(23,413,242)**
Difference resulting from application of tax rates applicable in other countries	(42,734)	1,324,490
Application of tax losses not disclosed in deferred tax	625,709	916,746
Realisation of tax credits of preceding periods	2,014,372	3,207,414
Non-taxable revenue	222,106	37,493
Non-deductible expenses	(1,433,295)	(569,409)
Tax loss for the reporting period not disclosed in deferred tax	(899,548)	–
Other items affecting the tax burden amount	(396,446)	(38,045)
Total tax expenses	**(9,397,336)**	**(18,534,553)**
- including for previous years	*(393,721)*	–

** Tax expense for the previous years was recognised in connection with releasing the deferred tax asset on tax losses established in the preceding periods.*

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27. Deferred income tax

27.1. Undisclosed deferred income tax assets

Deferred income tax was not disclosed with respect to the items below:

	31 Dec 2012 PLN	31 Dec 2011 PLN
Tax loss	1,840,904	3,281,951

As at 31 December 2012, the Company established deferred tax assets with regard to tax losses to be settled in future periods in the total amount of PLN 12,648,134. The management believes that due to dynamic development of business and growth of sales in foreign markets, the Group may generate taxable income in future periods, and tax losses will be settled accordingly.

At the same time, taking into account the risks connected with further business development in foreign markets, the management of the Company has concerns whether, with respect to certain tax losses of foreign operations, a taxable income will be earned that will make it possible to settle the negative temporary differences. Therefore, no deferred tax assets connected with such tax losses in the amount of PLN 1,840,904 as at 31 December 2012.

For unused tax losses as at 31 December 2012 in the total amount of PLN 1,840,904, the right to settle PLN 86,898 expires in 2016, the right to settle PLN 56,185 expires in 2017, the right to settle PLN 243,081 expires in 2018, the right to settle PLN 119,943 expires in 2019, and the remaining portion may be settled over an indefinite time.

27.2. Deferred income tax assets and liabilities

Change in temporary differences for the year ended 31 December 2012

	As at 1 Jan 2012	Disclosed in the comprehensive income statement	As at 31 Dec 2012
Temporary differences concerning deferred tax assets:			
Cash and other monetary assets	–	139,417	139,417
Property, plant and equipment	23,250	186,505	209,755
Loans granted and other receivables	–	573,433	573,433
Liabilities to clients	23,997	25,038	49,035
Financial liabilities held for trading	855,373	550,084	1,405,457
Provisions for liabilities	103,065	241,255	344,320
Other liabilities	1,095,910	(1,070,413)	25,497
Tax losses of the current period to be settled in future periods	–	3,700,942	3,700,942
Tax losses of previous periods to be settled in future periods	9,355,471	(393,721)	8,961,750
Total	**11,457,066**	**3,952,540**	**15,409,606**

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	As at 1 Jan 2012	Disclosed in the comprehensive income statement	As at 31 Dec 2012
Temporary differences concerning items of deferred tax liability:			
Cash and other monetary assets	2,762,691	(744,022)	2,018,669
Financial assets held for trading	6,087,023	2,346,516	8,433,539
Financial assets held to maturity	8,936	(8,936)	–
Loans granted and other receivables	–	182,860	182,860
Property, plant and equipment	41,390	1,449,144	1,490,534
Total	**8,900,040**	**3,225,562**	**12,125,602**
Total deferred tax asset (liability)	**2,557,026**	**726,978**	**3,284,004**

Change in temporary differences for the year ended 31 December 2011

	As at 1 Dec 2011	Disclosed in the comprehensive income statement	As at 31 Dec 2011
Temporary differences concerning deferred tax assets:			
Cash and cash equivalents	298,502	(298,502)	–
Property, plant and equipment	18,382	4,868	23,250
Loans granted and other receivables	58,584	(58,584)	–
Liabilities to clients	55,334	(31,337)	23,997
Financial liabilities held for trading	842,493	12,880	855,373
Provisions for liabilities	17,839	85,226	103,065
Other liabilities	1,103,003	(7,093)	1,095,910
Tax losses to be settled in future periods	–	9,355,471	9,355,471
Total	**2,394,137**	**9,062,929**	**11,457,066**
Temporary differences concerning items of deferred tax liability:			
Cash and cash equivalents	–	2,762,691	2,762,691
Financial assets held for trading	4,859,085	1,227,938	6,087,023
Financial assets held to maturity	–	8,936	8,936
Loans granted and other receivables	71,466	(71,466)	–
Property, plant and equipment	33,211	8,179	41,390
Total	**4,963,762**	**3,936,278**	**8,900,040**
Total deferred tax asset (liability)	**(2,569,625)**	**5,126,651**	**2,557,026**

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28. Related party transactions

28.1. Parent company

XXZW Investment Group Limited with its registered office in Luxembourg is the key shareholder of the Parent Company. It holds 80.83% of shares and votes in the General Meeting. XXZW Investment Group Limited prepares the consolidated financial statements.

Mr. Jakub Zabłocki is the ultimate parent company for the Group and XXZW Investment Group Limited.

28.2. Figures concerning related party transactions

Value of transactions and balance of receivables and liabilities to related parties

28.2.1 Revenue and receivables

	Transaction summary	31 Dec 2012 Revenue PLN	31 Dec 2012 Receivables PLN	31 Dec 2011 Revenue PLN	31 Dec 2011 Receivables PLN
Parent company	–	–	–	–	–
Key management of the Group	**Loan agreement**	**270,200**	**27,818,069**	**128,344**	**27,467,544**
Other related parties X-Trade Brokers Menkul Degerler A.S.	Brokerage services	9,032,688	1,329,311	–	–

28.2.2 Costs and liabilities

	Transaction summary	31 Dec 2012 Costs PLN	31 Dec 2012 Liabilities PLN	31 Dec 2011 Costs PLN	31 Dec 2011 Liabilities PLN
Parent company	–	–	–	–	–
Key management of the Group	–	–	–	–	–
Other related parties X-Trade Brokers Menkul Degerler A.S.	Brokerage services	4,450,880	1,922,915	252,516	252,516

* The "other related parties" category includes the company X-Trade Brokers Menkul Degerler A.S., in which a member of the management board holds 99.99% of shares.

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28.3. Benefits to Management and Supervisory Board members

	Year ended	
	31 Dec 2012 PLN	31 Dec 2011 PLN
Benefits to Management Board members	4,474,781	4,261,123
Benefits to Supervisory Board members	22,500	31,500
Total benefits to the Management and Supervisory Board members	**4,497,281**	**4,292,623**

These benefits include base salaries, bonuses, social security contributions paid for by the employer and supplementary benefits (money bills, healthcare, holiday allowances).

28.4. Loans granted to Management and Supervisory Board members

As at 31 December 2012, the Parent Company granted a borrowing to the President of the Management Board of the Parent Company in the amount of PLN 27,818,069 with interest (2011: PLN 27,467,544), at an interest rate of 1 per cent p.a. As at 31 December 2012, interest accrued on the borrowing amounted to
PLN 386,609 (2011: PLN 128,334). On 30 April 2012, in order to collateralise the borrowing, the borrower deposited a multiple-share certificate for all shares held in X-Trade Brokers Menkul Degerler A.S. at the notarial office of notary Krzysztof Buk at ul. Grochowska in Warsaw.

29. Supplementary information and explanations to the cash flow statement

29.1. Change in the balance of loans granted and other receivables

	Year ended	
	31 Dec 2012 PLN	31 Dec 2011 PLN
Balance sheet change in loans granted and other receivables	(2,517,785)	(26,391,853)
Loans granted, disclosed under investing activities	1,221,070	21,525,944
Bank deposits disclosed under investing activities	–	(229,925)
Change in the balance of loans granted and other receivables in the cash flow statement	**(1,296,715)**	**(5,095,834)**

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29.2. Change in the balance of other liabilities

	Year ended	
	31 Dec 2012 PLN	31 Dec 2011 PLN
Balance sheet change in other liabilities	(8,702,094)	7,468,663
Acquisition of tangible assets under finance lease	(463,979)	(283,600)
Payment of liabilities under finance lease agreements	481,833	391,976
Change in the balance of other liabilities	**(8,684,240)**	**7,577,039**

29.3. Other adjustments

The "other adjustments" item in the cash flow statement includes the following adjustments:

	Year ended	
	31 Dec 2012 PLN	31 Dec 2011 PLN
Foreign exchange differences on translation of balances of foreign operations	1,340,177	(1,801,919)
Foreign exchange differences on translation of movements in tangible and intangible assets	122,756	(196,532)
Change in the balance of other liabilities	**1,462,933**	**(1,998,451)**

Foreign exchange differences on translation of movements in tangible and intangible assets include the difference between the rates as at the opening balance and as at the closing balance adopted for valuation of the gross value of tangible and intangible assets of the Group's foreign operations and the difference between the rate applied to estimate the depreciation costs of tangible and intangible assets in the Group's foreign operations, and the rate of translation of depreciation amounts on such assets. This figure results from the chart of movements in tangible and intangible assets.

30. Events after the balance sheet date

On 6 March 2013, the Parent Company established a new subsidiary, xStore Sp. z o.o., with its registered office in Poland. X-Trade Brokers Dom Maklerski S.A. subscribed 100 per cent of the shares in xStore Sp. z o.o.

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31. Off-balance sheet items

31.1. Nominal value of derivatives

	31 Dec 2012 PLN	31 Dec 2011 PLN
CFDs		
Currency CFDs	1,098,394,898	826,550,639
Commodity CFDs	266,884,870	102,249,756
Index CFDs	406,718,597	224,089,259
Bond CFDs	–	19,829,592
Stock CFDs	37,637,421	17,458,292
Total CFDs	**1,809,635,786**	**1,190,177,538**
Options derivatives	188,935,507	142,987,433
Total derivatives	**1,998,571,292**	**1,333,164,971**

The nominal value of derivatives presented in the chart above includes transactions with clients and brokers. As at 31 December 2012, transactions with brokers represent 6 per cent of the total nominal value of instruments (2011: 6 per cent of the total nominal value of instruments).

31.2. Clients' financial instruments

Presented below is a list of clients' instruments deposited in the accounts of the brokerage:

	31 Dec 2012 PLN	31 Dec 2011 PLN
Listed stocks and rights to stocks registered in clients' securities accounts	77,187,354	56,654,617
Other securities registered in clients' securities accounts	11,586,877	7,416,752
Other financial instruments of clients	3,223,074	6,304,530
Total clients' financial instruments	**91,997,305**	**70,375,899**

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32. Items regarding the compensation scheme

items regarding the compensation scheme

	31 Dec 2012 PLN	31 Dec 2011 PLN
1. Contributions made to the compensation scheme		
a) opening balance	594,006	338,269
- increases	*324,753*	*255,737*
b) closing balance	918,759	594,006
2. XTB's share in the profits from the compensation scheme	**66,280**	**25,461**

33. Capital management

The Group's principles of capital management are established in the "Capital management policy in X-Trade Brokers Dom Maklerski S.A." of the Parent Company. The document is approved by the Parent Company's Supervisory Board. The policy defines the basic concepts, objectives and rules which constitute the Parent Company's capital strategy. It specifies, in particular, long-term capital objectives, the current and preferred capital structure, contingency plans and basic elements of the internal capital estimation process. The policy is updated as appropriate so as to reflect the development in the Group and its business environment.

The objective of the capital management policy is to ensure balanced long-term growth for the shareholders and to maintain sufficient capital to enable the Group to operate in a prudent and efficient manner. This objective is attained by maintaining an appropriate capital base, taking into account the Group's risk profile and prudential regulations, as well as risk-based capital management in view of the operating goals.

Determination of capital-related goals is essential for equity management and serves as a basic reference in the context of capital planning, allocation and contingency plans. The Group establishes capital-related objectives which ensure a stable capital base, achievement of its capital strategy goals (in accordance with its general principles), and also match the Group's risk appetite. To establish its capital-related goals, the Group takes into consideration its strategic plans and expected growth of operations as well as external conditions, including the macroeconomic situation and other business environment factors. The capital-related goals are set for a horizon similar to that of the business strategy and are approved by the Management Board.

Capital planning is focused on assessment of the current and future capital requirements of the Group (both regulatory and internal), and on comparing them with the current and projected levels of available capital. The Group has prepared contingency plans to be launched in the event of a capital adequacy problem, described in detail in the "Capital management policy in X-Trade Brokers Dom Maklerski S.A."

As part of ICAAP, the Parent Company assesses its internal capital in order to define the overall capital requirement to cover all significant risks in the Group's operations and evaluates its quality. The Parent Company estimates internal capital necessary to cover identified significant risks in compliance with procedures adopted by the Group and taking into account stress test results.

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Under the Act on Trading in Financial Instruments of 29 July 2005 (Journal of Laws of 2005, No. 185, item 1538,
as amended), the Parent Company is obligated to maintain the capitals subject to monitoring to cover the higher of the following values:

- total capital requirements calculated in compliance with the Regulation of the Minister of Finance of 18 November 2009 on the scope and detailed rules of calculation of the total capital requirement, including capital requirements, for brokerage houses and establishing thresholds of loans, borrowings and debt securities issued in relation to capitals held (Journal of Laws 2009, No. 204, item 1571, as amended); and
- internal capital estimated in compliance with the Regulation of the Minister of Finance of of 23 November 2009 on defining detailed technical and organisational conditions for investment firms and banks, as referred to in Article 70 par. 2 of the Act on Trading in Financial Instruments, and custodian banks and the conditions for internal capital estimation by brokerages (Journal of Laws 2009, No. 204, item 1579, as amended).

The rules of calculation of capitals subject to monitoring are defined in the "Capital management policy in X-Trade Brokers Dom Maklerski S.A." of the Parent Company.

Key values in capital management

	31 Dec 2012 PLN	31 Dec 2011 PLN
Capital subject to monitoring in the Parent Company		
Share capital	220,656,067	211,390,156
Value of Tier 2 capital	(536,607)	(2,006,594)
Value of Tier 3 capital included in the value of capital subject to monitoring	50,835,341	39,718,957
Total capital subject to monitoring in the Parent Company	**271,189,689**	**249,102,519**
Total capital requirement of the Parent Company	**96,165,572**	**75,368,437**

Mandatory capital adequacy was not breached in the period covered by these financial statements.

34. Risk management

The Group is exposed to a variety of risks connected with its current operations. The purpose of risk management is to make sure that the Group takes risk in a conscious and controlled manner. Risk management policies are formulated in order to identify and measure the risks taken, and to establish appropriate limits to mitigate such risk on a regular basis.

At the strategy level, the Management Board is responsible for establishing and monitoring the risk management policy. All risks are monitored and controlled with regard to profitability of the Company's operations as well as the level of capital necessary to ensure safety of operations from the capital requirement perspective.

The Parent Company has appointed a Risk Management Committee. Its key tasks include performing supervisory, consultative and advisory functions for the Group's statutory bodies in the area of capital

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management strategy, risk management policy, risk measurement methods, capital planning and the Group's capital adequacy. In particular, the Committee supports the Risk Control Department in the area of identifying significant risks within the Group and creating a catalogue of risks, approves policies and procedures of risk and ICAAP management, reviews and approves analyses carried out by owners of specific risks and the Risk Control Department as part of the risk and ICAAP management system within the Group.

The Risk Control Department supports the Management Board in formulating, reviewing and updating ICAAP rules in the event of occurrence of new types of risk, significant changes in strategy and operating plans in the Group's external environment, monitors appropriateness and efficiency of the implemented risk management system, identifies, monitors and controls market risk of the Group's own investments, defines the overall capital requirement and estimates internal capital. The Management Board appointed one of its members to be directly responsible for the operations of the Risk Control Department.

The Parent Company's Supervisory Board approves procedures for internal capital estimation, capital management and planning.

34.1. Fair value

34.1.1 Comparison of the carrying amount and fair value

The chart below compares the carrying value and the fair value of financial assets and liabilities.

	31 Dec 2012		31 Dec 2011	
	Carrying amount PLN	Carrying amount PLN	Carrying amount PLN	Fair value PLN
Financial assets				
Cash and cash equivalents	394,040,562	394,040,562	428,686,584	428,686,584
Financial assets held for trading	44,387,046	44,387,046	32,551,814	32,551,814
Financial assets held to maturity	–	–	15,041,709	15,042,771
Loans granted and other receivables	43,599,740	43,080,228	41,081,955	40,002,170
Financial liabilities				
Liabilities to clients	210,840,727	210,840,727	188,396,064	188,396,064
Financial liabilities held for trading	7,397,139	7,397,139	5,015,411	5,015,411
Other liabilities	12,617,274	12,617,274	21,319,369	21,319,369

Fair value of Treasury bills classified as financial assets held to maturity is based on market prices. Fair value of loans granted and other receivables is based on measurement of discounted cash flows using the market interest rate.

Fair value of liabilities under lease classified as "other liabilities" is estimated as equivalent to their carrying amount because of the variable nature of interest rates on lease agreements and fixed market margins of the lessor.

Fair value of other liabilities and liabilities to clients is estimated as similar to their carrying amount in view of the short-term maturities of up to 3 months.

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34.1.2 Fair value hierarchy

The Group discloses fair value measurement of financial instruments carried at fair value, applying the following fair value hierarchy which reflects the significance of input data used to establish the fair value:

- **Level 1**: quoted prices (unadjusted) in active markets for the assets or liabilities,
- **Level 2**: input data other than quoted prices classified in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. based on prices). This category includes financial assets and liabilities measured using prices quoted in active markets for identical assets, prices quoted in active markets for identical assets considered less active or other valuation methods where all significant inputs originate directly or indirectly from the markets;
- **Level 3**: input data for valuation of a given asset or liability is not based on observable market data (unobservable inputs).

	31 Dec 2012			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
OTC derivatives	–	44,387,046	–	**44,387,046**
Total financial assets held for trading	**–**	**44,387,046**	**–**	**44,387,046**
Financial liabilities held for trading				
OTC derivatives	–	7,397,139	–	**7,397,139**
Financial liabilities held for trading in total	**–**	**7,397,139**	**–**	**7,397,139**

	31 Dec 2011			
	Level 1	Level 2	Level 3	Total
Financial assets held for trading				
OTC derivatives	–	32,551,814	–	**32,551,814**
Total financial assets held for trading	**–**	**32,551,814**	**–**	**32,551,814**
Financial liabilities held for trading				
OTC derivatives	–	5,015,411		**5,015,411**
Financial liabilities held for trading in total	**–**	**5,015,411**	**–**	**5,015,411**

34.2. Market risk

The Company enters into OTC contracts for differences (CFDs), vanilla options and digital options. The Group may also acquire securities and enter into forward contracts on its own account on regulated stock markets.

Taking into account the underlying instruments, the following risks can be identified:

- Currency risk connected with fluctuations of exchange rates
- Interest rate risk
- Risk of fluctuations of commodity prices

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- Risk of fluctuations of equity investment prices

The Group's key market risk management objective is to mitigate the impact of such risk on the profitability of its operations. The Group's practice in this area is consistent with the following principles:

- in the investment strategy, the Management Board defines short-, medium-, and long-term investment objectives, rules of establishing and methods of managing an investment portfolio, amount of funds to be invested, as well as the rules and mechanisms of hedging against exceeding permitted exposure concentration limits and large exposures. The resolution is approved by the Supervisory Board.

  As part of internal procedures, the Company applies limits to mitigate market risk connected with maintaining open positions on financial instruments. These are, in particular: a maximum open position on a given instrument, currency exposure limits, a maximum value of a single instruction related to equity-based instruments. The Trading Department monitors open positions subject to limits on a current basis, and in case of excesses, enters into appropriate hedging transactions. The Risk Control Department reviews limit usage on a regular basis, and controls the hedges entered into.

- Since 1 July 2011, transactions on plain vanilla options are secured on a "back-to-back" basis (a transaction that mirrors the first one is each time executed at the same time) with market counterparties.

34.2.1 Currency risk

The Group enters into transactions principally in the FX market. Aside from transactions where the FX rate is an underlying instrument, the Group also offers instruments denominated in foreign currencies. Also, the Group manages the market risk generated by assets in foreign currencies, i.e. the so-called currency positions. Currency positions include the brokerage's own funds denominated in foreign currencies held for the purpose of settling transactions in foreign markets and connected with foreign operations.

The carrying amount of the Group's assets and liabilities in foreign currencies as at the balance sheet date is presented below: Values for all base currencies are expressed in PLN:

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Assets and liabilities denominated in foreign currencies as at 31 December 2012

	Carrying amount	Transactions in foreign currencies converted to PLN							
		USD	EUR	GBP	CZK	HUF	RON	Other currencies	Total
Assets									
Cash and cash equivalents	394,040,562	33,193,162	121,558,423	888,585	47,257,887	5,165,255	3,458,290	7,448,896	**218,970, 498**
Financial assets held for trading	44,387,046	18,012,830	22,325,960	1,662,581	21,615	5,320	–	838,297	**42,866,603**
Investments in subsidiaries	–	–	–	–	–	–	–	–	**–**
Receivables under income tax	2,974,200	–	–	–	1,091,650	–	–	–	**1,091,650**
Loans granted and other receivables	43,599,740	28,989,787	4,593,022	121,062	115,684	302,132	85,437	1,504,270	**35,711,394**
Prepayments and accruals	2,402,258	–	285,120	477,065	431,634	–	27,634	–	**1,221,453**
Intangible assets	9,337,156	–	74,464	–	395,618	–	16,293	–	**486,375**
Property, plant and equipment	3,659,899	–	838,797	101,387	73,443	78,706	114,805	–	**1,207,138**
Deferred income tax assets	15,409,606	–	11,162,561	1,045,683	10,475	427,584	–	–	**12,646,303**
Total assets	**515,810,467**	**80,195,779**	**160,838,347**	**4,296,363**	**49,398,006**	**5,978,997**	**3,702,459**	**9,791,463**	**314,201,414**
Liabilities									
Liabilities to clients	210,840,727	13,415,796	68,577,034	316,378	30,826,941	4,506,905	2,640,038	202,329	**120,485,421**
Financial liabilities held for trading	7,397,139	2,446,250	3,920,143	337,755	12,862	325	–	464,507	**7,181,842**
Liabilities under income tax	2,093,548	–	2,089,880	–	–	3,668	–	–	**2,093,548**
Other liabilities	12,617,274	2,243,065	3,667,880	234,583	1,325,910	98,508	286,002	11,662	**7,867,610**
Provisions for liabilities	506,086	–	61,832	–	–	–	400,686	–	**462,518**
Deferred income tax liability	12,125,602	–	–	–	30,477	–	–	–	**30,477**
Total liabilities	**245,580,376**	**18,105,111**	**78,316,769**	**888,716**	**32,196,190**	**4,609,406**	**3,326,726**	**678,498**	**138,121,416**

Assets and liabilities denominated in foreign currencies as at 31 December 2011

	Carrying	Transactions in foreign currencies converted to PLN

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	amount	USD	EUR	GBP	CZK	HUF	RON	Other currencies	Total
Assets									
Cash and other monetary assets	428,686,584	31,194,288	112,384,706	2,139,809	41,719,675	3,585,542	7,749,246	12,200	**198,785,466**
Financial assets held for trading	32,551,814	10,112,424	14,979,772	778,267	348,594	558	–	4,722,532	**30,942,147**
Financial assets held to maturity	15,041,709	–	–	–	–	–	–	–	**–**
Receivables under income tax	3,725,600	–	–	–	455,533	–	–	–	**455,533**
Loans granted and other receivables	41,081,955	27,487,422	2,706,433	266,067	123,947	201,632	22,596	2,229	**30,810,326**
Prepayments and accruals	2,293,312	–	552,428	240,094	586,462	–	91,432	–	**1,470,416**
Intangible assets	4,050,829	–	94,133	–	552,223	–	16,555	–	**662,911**
Property, plant and equipment	3,902,322	–	1,040,144	227,975	106,871	115,984	109,888	–	**1,600,862**
Deferred income tax assets	11,457,066	–	7,786,168	714,800	88,131	434,018	429,369	–	**9,452,486**
Total assets	**542,791,191**	**68,794,134**	**139,543,784**	**4,367,012**	**43,981,436**	**4,337,734**	**8,419,086**	**4,736,961**	**274,180,147**
Liabilities									
Liabilities to clients	188,396,064	6,960,359	58,048,178	404,922	24,788,783	1,958,873	3,288,984	–	**95,450,099**
Financial liabilities held for trading	5,015,411	1,080,489	3,545,718	53,050	1,634	–	–	196,092	**4,876,983**
Liabilities under income tax	161,893	–	156,068	–	–	5,825	–	–	**161,893**
Other liabilities	21,319,368	76,703	6,516,090	86,590	1,711,621	143,818	401,886	12,921	**8,949,629**
Provisions for liabilities	645,377	–	62,074	–	–	–	251,460	–	**313,534**
Deferred income tax liability	8,900,040	–	–	–	3,251	–	–	–	**3,251**
Total liabilities	**224,438,153**	**8,117,551**	**68,328,128**	**544,562**	**26,505,289**	**2,108,516**	**3,942,330**	**209,013**	**109,755,389**

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A change in the PLN exchange rates affects the balance sheet valuation of the Group's financial instruments and the result on translation of foreign currency balances of other balance sheet items. Sensitivity to exchange rate fluctuations was calculated with the assumption that all foreign currency rates change by ±5 per cent to PLN. The carrying amount of financial instruments was revalued. For plain vanilla options, secured using the "back-to-back" mechanism since 1 July 2011, a difference between the result on transactions with clients and the result on hedging transactions was accounted for.

Presented below is the sensitivity of the Group's equity and profit before tax to a 5-per cent increase or decrease of the PLN exchange rate:

	31 Dec 2012 PLN		31 Dec 2011 PLN	
	5% increase in exchange rates	5% decrease in exchange rates	5% increase in exchange rates	5% decrease in exchange rates
Income/ (expenses) of the period	3,916,680	(3,919,650)	10,612,788	(10,614,985)
Shareholders' equity, of which:	(906,950)	909,748	(945,971)	936,640
Foreign exchange differences on translation	(906,950)	909,748	(945,971)	936,640

Sensitivity of shareholders' equity is connected with foreign exchange differences in translation of value in functional currencies of foreign operations.

34.2.2 Interest rate risk

Interest rate risk is the risk of exposure of the current and future financial result and equity of the Group to the adverse impact of exchange rate fluctuations. Such exposure may result from the contracts entered into by the Group, where receivables or liabilities are dependent upon exchange rates as well as from holding assets or liabilities dependent on exchange rates.

The basic interest rate risk for the Group is the mismatch of interest rates:

- paid to clients in connection with funds deposited in cash accounts in the Group, and
- of the bank account and bank deposits where the Group's clients' funds are invested.

As a rule, the change in bank interest rates does not significantly affect the Group's financial position, since the Group determines interest rates for funds deposited in clients' cash accounts based on a variable formula, in the amount no higher than the interest rate received by the Group from the bank maintaining the bank account in which clients' funds are deposited.

Interest rates applicable to cash accounts are floating, and related to WIBID/WIBOR/LIBOR/EURIBOR rates. Therefore, the risk of adverse interest rate mismatch is very low.

Since the Group maintains a low duration of assets and liabilities and minimizes the duration gap, sensitivity of market value of assets and liabilities to calculations of market interest rates is very low.

As part of a significant risk identification process, the Risk Management Committee established that the interest rate risk is not significant for the Group's operations.

Sensitivity analysis of financial assets and liabilities where cash flows are exposed to interest rate risk

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The structure of financial assets and liabilities where cash flows are exposed to interest rate risk is as follows:

	31 Dec 2012 PLN	31 Dec 2011 PLN
Financial assets		
Cash and cash equivalents	394,040,562	428,686,584
Total financial assets	**394,040,562**	**428,686,584**
Financial liabilities		
Liabilities to clients	35,477,501	23,969,011
Other liabilities	374,812	392,666
Total financial liabilities	**35,852,313**	**24,361,677**

The impact of a change in interest rates by 50 base points (bp) on profit before tax is presented below. The analysis below relies on the assumption that other variables, in particular exchange rates, will remain constant. The analysis was carried out on the basis of average balances of cash in 2012, using the average 1M interest rate in a given market.

	31 Dec 2012 PLN		31 Dec 2011 PLN	
	Increase by 50 bp	Decrease by 50 bp	Increase by 50 bp	Decrease by 50 bp
Income/ (expenses) of the period	1,919,957	(1,919,957)	1,567,037	(1,567,037)

Sensitivity analysis of financial assets and liabilities whose fair value is exposed to interest rate risk

The table below presents the structure of financial assets and liabilities whose fair value is exposed to interest rate risk.

	31 Dec 2012 PLN	31 Dec 2011 PLN
Financial assets		
Financial assets held for trading	1,725,921	1,787,984
Total financial assets	**1,725,921**	**1,787,984**
Financial liabilities		
Financial liabilities held for trading	1,608,268	1,766,672
Total financial liabilities	**1,608,268**	**1,766,672**

The impact of a change in interest rates by 50 base points (bp) on profit before tax is presented below. The analysis below relies on the assumption that other variables, in particular exchange rates, will remain constant.

	31 Dec 2012 PLN		31 Dec 2011 PLN	
	Increase by 50 bp	Decrease by 50 bp	Increase by 50 bp	Decrease by 50 bp

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Income/ (expenses) of the period	20	(5)	28	(30)

34.2.3 Other price risk

Other price risk is exposure of the Group's financial position to unfavourable changes in the prices of commodities, equity investments (equity, indices) and debt instruments (bonds).

The carrying amount of financial instruments exposed to other price risk is presented below:

	31 Dec 2012 PLN	31 Dec 2011 PLN
Financial assets held for trading		
Commodities		
Precious metals	4,997,525	3,291,426
Base metals	82,513	149,616
Other	5,230,566	2,217,122
Total commodities	**10,310,604**	**5,658,164**
Equity investments		
Stocks	1,592,876	1,730,535
Indices	14,320,050	7,235,454
Total equity investments	**15,912,926**	**8,965,989**
Debt instruments	**204,445**	**185,879**
Total financial assets held for trading	**26,427,975**	**14,810,032**
Financial liabilities held for trading		
Commodities		
Precious metals	572,861	281,689
Base metals	10,326	6,837
Other	625,972	172,285
Total commodities	**1,209,159**	**460,811**
Equity investments		
Stocks	263,103	518,729
Indices	2,136,816	1,486,793
Total equity investments	**2,399,918**	**2,005,522**
Debt instruments	**12,833**	**26,760**
Total financial assets held for trading	**3,621,910**	**2,493,093**

The Group's sensitivity to fluctuations in the prices of specific commodities and equity investments by ±5 per cent with regard to shareholders' equity and profit before tax is presented below.

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	31 Dec 2012 PLN		31 Dec 2011 PLN	
	5% increase	5% decrease	5% increase	5% decrease
Income/ (expenses) of the period				
Commodities				
Precious metals	(2,411,652)	2,412,187	(910,062)	912,309
Base metals	107,527	(107,527)	(17,659)	17,659
Other	(417,788)	417,997	87,808	(86,494)
Total commodities	**(2,721,913)**	**2,722,658**	**(839,913)**	**843,474**
Equity investments				
Stocks	(1,266,674)	1,266,674	(467,308)	467,308
Indices	5,469,901	(5,474,125)	(188,545)	206,865
Total equity investments	**4,203,227**	**(4,207,451)**	**(655,853)**	**674,173**
Debt instruments	**629,767**	**(629,767)**	**839,041**	**(839,041)**
Total income/ (expenses) of the period	**2,111,081**	**(2,114,561)**	**(656,725)**	**678,606**

34.3. Liquidity risk

For the Group, liquidity risk is the risk of losing its payment liquidity, i.e. the risk of losing capacity to finance its assets and to perform its obligations in a timely manner in the course of normal operations or in other predictable circumstances with no risk of loss. In its liquidity analysis, the Group applies current generation of liquid assets, future needs, alternative scenarios and payment liquidity contingency plans.

At present, the value of the Group's most liquid assets (own cash) significantly exceeds the value of its liabilities. Thus, liquidity risk is very low.

Presented below are contractual payment periods of financial assets and liabilities. Marginal and cumulative contractual liquidity gap, calculated as a difference between total assets and total liabilities for each maturity bucket, is presented for specific payment periods.

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Contractual payment periods of financial assets and liabilities as at 31 December 2012

	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	no maturity specified
Financial assets							
Cash and cash equivalents	394,040,562	394,040,562	394,040,562	–	–	–	–
Financial assets held for trading							
Stocks and stock exchange contracts	–	–	–	–	–	–	–
CFDs	42,661,125				–	–	–
Options derivatives	1,725,921				–	–	–
Total financial assets held for trading	44,387,046	–	–	–	–	–	–
Financial assets held to maturity	–	–	–	–	–	–	–
Investments in subsidiaries	–	–			–	–	–
Loans granted and other receivables	43,599,740	43,599,740	13,501,324	28,854,523	1,039,626	99,330	104,937
Total financial assets	**482,027,348**	**437,640,302**	**407,541,886**	**28,854,523**	**1,039,626**	**99,330**	**104,937**
Financial liabilities							
Liabilities to clients					–	–	–
Financial liabilities held for trading							
Stocks and stock exchange contracts					–	–	–
CFDs					–	–	–
Options derivatives					–	–	–
Total financial liabilities held for trading	–	–	–	–	–	–	–
Other liabilities	12,617,274	12,617,274	10,379,776	1,843,099	192,196	–	202,202
Total financial liabilities	**12,617,274**	**12,617,274**	**10,379,776**	**1,843,099**	**192,196**	**–**	**202,202**

Contractual payment periods of financial assets and liabilities as at 31 December 2012 (cont.)

	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	no maturity specified
Contractual liquidity gap of maturities (payment dates)			397,162,110	27,011,423	847,430	99,330	(97,265)
Contractual cumulative liquidity gap			397,162,110	424,173,533	425,020,963	425,120,293	425,023,028

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Contractual payment terms of financial assets and liabilities as at 31 December 2011

	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	no maturity specified
Financial assets							
Cash and cash equivalents	428,686,584	428,686,584	428,686,584	–	–	–	–
Financial assets held for trading							
Stocks and stock exchange contracts	–	–	–	–	–	–	–
CFDs	30,763,830	30,763,830	30,763,830	–	–	–	–
Options derivatives	1,787,984	1,799,180	576,412	1,222,768	–	–	–
Total financial assets held for trading	32,551,814	32,563,010	31,340,242	1,222,768	–	–	–
Financial assets held to maturity	15,041,709	15,100,000	15,100,000	–	–	–	–
Loans granted and other receivables	41,081,955	41,081,955	12,221,055	27,467,544	–	–	1,393,356
Total financial assets	**517,362,062**	**517,431,549**	**487,347,881**	**28,690,312**	**–**	**–**	**1,393,356**
Financial liabilities							
Liabilities to clients	188,396,064	188,396,064	188,396,064	–	–	–	–
Financial liabilities held for trading							
CFDs	3,248,739	3,248,739	3,248,739	–	–	–	–
Options derivatives	1,766,672	1,777,410	605,257	1,172,153	–	–	–
Total financial liabilities held for trading	5,015,411	5,026,149	3,853,996	1,172,153	–	–	–
Other liabilities	21,319,369	21,343,128	20,995,596	206,678	140,854	–	–
Total financial liabilities	**214,730,844**	**214,765,341**	**213,245,656**	**1,378,831**	**140,854**	**–**	**–**

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Contractual payment terms of financial assets and liabilities as at 31 December 2011 (cont.)

	Carrying amount	Contractual cash flows	Up to 3 months	3 months to 1 year	1-5 years	Over 5 years	no maturity specified
Contractual liquidity gap of maturities (payment dates)			274,102,225	27,311,481	(140,854)	–	1,393,356
Contractual cumulative liquidity gap			274,102,225	301,413,706	301,272,852	301,272,852	302,666,208

The Group expects the cash flows presented in the maturity analysis to occur significantly earlier or in significantly different amounts.

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34.4. Credit risk

The chart below shows the carrying amounts of financial assets corresponding to the Group's exposure to credit risk:

	31 Dec 2012		31 Dec 2011	
	Carrying amount PLN	Maximum exposure to credit risk PLN	Carrying amount PLN	Maximum exposure to credit risk PLN
Financial assets				
Cash and cash equivalents	394,040,562	394,040,562	428,686,584	428,686,584
Financial assets held for trading *	44,387,046	3,888,596	32,551,814	1,905,368
Financial assets held to maturity	–	–	15,041,709	15,041,709
Loans granted and other receivables	43,599,740	43,599,740	41,081,955	41,081,955
Total financial assets	**482,027,348**	–	**517,362,062**	–

* As at 31 December 2012, the maximum exposure to credit risk for financial assets held for trading, not including the collateral received, was PLN 44,387,046. (2011: PLN 32,551,814). This exposure was collateralised with clients' cash, which, as at 31 December 2012, covered the amount of PLN 40,498,451 (2011: PLN 30,646,446). Exposures to credit risk connected with transactions with brokers as well as exposures to the Warsaw Stock Exchange were not collateralised.

Cash and cash equivalents

Credit risk connected with cash and cash equivalents is related to the fact that own cash and clients' cash is held in bank accounts. Credit risk involving cash is mitigated by selecting banks with a high credit rating granted by international rating agencies and through diversification of banks with which accounts are opened.

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As at 31 December 2012, the Group had bank accounts in 33 banks and institutions (2011: 26 banks and institutions). The ten largest exposures are presented in the table below:

31 Dec 2012		31 Dec 2011	
Entity	**PLN**	**Entity**	**PLN**
Bank 1	105,228,049	Bank 1	90,930,161
Bank 2	49,824,954	Bank 2	45,135,597
Bank 3	37,897,098	Bank 3	41,633,407
Bank 4	36,885,349	Bank 4	35,377,433
Bank 5	32,747,807	Bank 5	35,072,521
Bank 6	23,335,238	Bank 6	35,047,188
Bank 7	18,894,401	Bank 7	35,006,545
Bank 8	13,431,756	Bank 8	30,644,311
Bank 9	10,064,860	Bank 9	22,033,387
Bank 10	9,066,403	Bank 10	11,805,389
Total	**337,375,916**		**382,685,940**

Financial assets held for trading

Financial assets held for trading represent financial instrument transactions concluded with the Group's clients.

Credit risk involving financial assets held for trading is connected with the risk of client insolvency. With regard to OTC transactions with clients, the Group's policy is to mitigate counterparty credit risk through margin calls. Client funds deposited in the brokerage serve as a security. If the current balance is 30 per cent or less of the security paid in and blocked by the transaction system, the position that generates the highest losses is automatically closed at the current market price. The amount of initial margin deposit is determined
depending on the type of client account, account currency and the balance of the cash account on the trading platform as a percentage of the nominal value of the transaction. A detailed mechanism is set forth in the rules binding on the clients. In addition, in order to mitigate counterparty credit risk, the Group includes special clauses in agreements with selected clients, in particular, requirements regarding minimum balances in cash accounts.

Transactions executed by clients on a regulated market practically do not carry significant credit risks, as instructions are covered with funds in cash accounts or securities in securities accounts. The Group's hedging methods and conditions for accepting orders comply with the applicable regulations.

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As at 31 December 2012, the Company's top 10 exposure to counterparty credit risk taking into account the collateral (net exposure) is presented in the table below:

Entity	31 Dec 2012 Net exposure in PLN	Entity	31 Dec 2011 Net exposure in PLN
Entity 1	1,561,780	Entity 1	1,158,149
Entity 2	574,170	Entity 2	95,347
Entity 3	566,737	Entity 3	84,912
Entity 4	327,886	Entity 4	53,824
Entity 5	177,132	Entity 5	45,583
Entity 6	143,824	Entity 6	36,136
Entity 7	98,011	Entity 7	34,238
Entity 8	45,137	Entity 8	29,969
Entity 9	40,541	Entity 9	24,868
Entity 10	31,520	Entity 10	22,828
Total	**3,566,739**		**1,585,854**

Financial assets held to maturity

As at 31 December 2012, there were no financial assets held to maturity.

Other receivables

Concerning other liabilities, the largest exposure as at 31 December 2012 consists of a borrowing with accrued interest in the amount of PLN 27,818,069, granted to a member of the Management Board.

Other receivables consist mainly of receivables from the Central Depository of Securities (KDPW), clients and selected counterparts (margins provided to collateral contractual obligations). There is no significant concentration.

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