



2019

SEPARATE FINANCIAL STATEMENTS
OF GIEŁDA PAPIERÓW WARTOŚCIOWYCH W WARSZAWIE S.A.
FOR THE YEAR ENDED 31 DECEMBER 2019

TABLE OF CONTENTS

SEPARATE STATEMENT OF FINANCIAL POSITION	3
SEPARATE STATEMENT OF COMPREHENSIVE INCOME	5
SEPARATE STATEMENT OF CASH FLOWS	6
SEPARATE STATEMENT OF CHANGES IN EQUITY	8
NOTES TO THE SEPARATE FINANCIAL STATEMENTS.....	9
1. General information, basis of preparation of the financial statements, accounting policies	9
1.1. Legal status	9
1.2. Scope of operations of the Exchange	9
1.3. Approval of the financial statements.....	9
1.4. Statement of compliance	9
1.5. IFRS and Interpretations of the IFRS Interpretations Committee (IFRIC)	10
1.5.1. Standards and interpretations adopted by the European Union.....	10
1.5.2. Standards and interpretations awaiting adoption by the European Union	10
1.6. Accounting policy and other information	11
1.6.1. Functional and presentation currency	11
1.6.2. Basis of valuation	11
1.6.3. Estimates and judgments	11
1.6.4. Selected accounting policies	11
1.6.5. Evaluation of balances presented in foreign currencies	11
1.6.6. Segment reporting	11
2. Financial risk management	11
2.1. Financial risk factors	11
2.2. Market risk.....	12
2.2.1. Cash flow and fair value interest risk	12
2.2.2. Foreign exchange risk.....	13
2.2.3. Price risk.....	14
2.3. Credit risk.....	14
2.4. Liquidity risk.....	15
2.5. Capital management.....	16
2.6. Risk generated by the SARS-CoV-2 pandemic.....	17
3. Notes to the statement of financial position	18
3.1. Property, plant and equipment	18
3.2. Intangible assets	20
3.3. Investment in subsidiaries	21
3.4. Investment in associates and joint ventures	22
3.5. Leases.....	23
3.5.1. Effect of the initial application of IFRS 16 Leases.....	24
3.5.2. Qualitative and quantitative information about lease transactions – Exchange as a lessee ...	26
3.5.3. Qualitative and quantitative information about lease transactions – Exchange as a lessor ...	26
3.5.4. Selected judgments and estimates related to leases.....	28
3.5.5. Right-to-use assets	29
3.5.6. Lease liabilities	29
3.5.7. Sublease receivables	30
3.6. Financial assets	31
3.6.1. Classification and measurement of financial assets.....	31
3.6.2. Impairment of financial assets.....	32
3.6.3. Financial assets measured at fair value through other comprehensive income.....	33
3.6.4. Trade receivables and other receivables	34
3.6.5. Financial assets measured at amortised cost.....	37
3.6.6. Cash and cash equivalents	37
3.7. Contract assets and contract liabilities	38
3.8. (Non-current) prepayments.....	39
3.9. Other non-current and current assets	39



3.10.	Equity	39
3.10.1.	Share capital	39
3.10.2.	Other reserves	40
3.10.3.	Retained earnings	40
3.10.4.	Dividend	41
3.10.5.	Earnings per share	41
3.11.	Bond issue liabilities	41
3.12.	Employee benefits payable	43
3.12.1.	Retirement benefits	43
3.12.2.	Other employee benefits	44
3.13.	Accruals and deferred income	45
3.14.	Other liabilities	45
3.15.	Trade payables	46
3.16.	Deferred income tax	46
4.	Notes to the statement of comprehensive income	48
4.1.	Sales revenue	48
4.2.	Operating expenses	49
4.2.1.	Salaries and other employee costs	50
4.2.2.	External service charges	51
4.2.3.	Other operating expenses	51
4.3.	Other income	52
4.4.	Other expenses	52
4.5.	Financial income	53
4.6.	Financial expenses	53
4.7.	Gains on investment and losses on impairment of investment in other entities	54
4.8.	Income tax	54
5.	Note to the statement of cash flows	55
6.	Other notes	56
6.1.	Financial instruments	56
6.2.	Grants	56
6.3.	Related party transactions	58
6.3.1.	Information about transactions with the State Treasury and entities which are related parties of the State Treasury	58
6.3.2.	Transactions with subsidiaries	58
6.3.3.	Transactions with associates and joint ventures	59
6.3.4.	Other transactions	60
6.4.	Information on remuneration and benefits of the key management personnel	61
6.5.	Contracted investments	62
6.6.	Contingent liabilities	62
6.7.	Events after the balance sheet date	62



SEPARATE STATEMENT OF FINANCIAL POSITION

	Note	As at 31 December	
		2019	2018
Non-current assets:		435,342	426,635
Property, plant and equipment	3.1.	95,416	96,362
Right-to-use assets	3.5.5.	14,329	-
Intangible assets	3.2.	49,829	56,439
Investment in associates and joint ventures	3.4.	11,652	13,825
Investment in subsidiaries	3.3.	255,885	250,885
Sublease receivables	3.5.7.	6,363	-
Financial assets measured at fair value through other comprehensive income	3.6.3.	120	101
Prepayments	3.8.	1,748	4,801
Other non-current assets	3.9.	-	4,222
Current assets:		357,422	358,619
Inventories		47	64
Corporate income tax receivable	4.8.	4,132	-
Trade receivables and other receivables	3.6.4.	30,128	25,483
Sublease receivables	3.5.7.	2,302	-
Contract assets	3.7.	940	1,015
Financial assets measured at amortised cost	3.6.5.	267,687	310,090
Other current assets	3.9.	4,222	-
Cash and cash equivalents	3.6.6.	47,964	21,967
TOTAL ASSETS		792,764	785,254

The attached Notes are an integral part of these Financial Statements.

SEPARATE STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	As at 31 December	
		2019	2018
Equity:		479,843	498,237
Share capital	3.10.1.	63,865	63,865
Other reserves	3.10.2.	(187)	(142)
Retained earnings	3.10.3.	416,165	434,514
Non-current liabilities:		275,299	263,237
Liabilities on bonds issue	3.11.	244,350	243,961
Employee benefits payable	3.12.	682	595
Lease liabilities	3.5.6.	15,826	-
Contract liabilities	3.7.	572	-
Accruals and deferred income	3.13.	809	-
Deferred tax liability	3.16.	4,705	6,846
Other liabilities	3.14.	8,355	11,835
Current liabilities:		37,622	23,780
Liabilities on bonds issue	3.11.	1,932	1,938
Trade payables	3.15.	7,970	4,498
Employee benefits payable	3.12.	10,579	9,095
Lease liabilities	3.5.6.	5,024	-
Corporate income tax payable		-	1,373
Contract liabilities	3.7.	1,390	11
Accruals and deferred income	3.13.	231	-
Provisions for other liabilities and other charges		95	68
Other liabilities	3.14.	10,401	6,797
TOTAL EQUITY AND LIABILITIES		792,764	785,254

The attached Notes are an integral part of these Financial Statements.

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2019	2018
Sales revenue	4.1.	183,599	190,880
Operating expenses	4.2.	(119,317)	(113,007)
Impairment (loss) on receivables	3.6.4.	(756)	(2,295)
Other income	4.3.	1,277	1,115
Other expenses	4.4.	(3,315)	(1,633)
Operating profit		61,488	75,060
Financial income	4.5.	76,206	75,075
Financial expenses	4.6.	(8,742)	(8,043)
Gains on investment/(losses) on impairment of investment in other entities	4.7.	(2,173)	30,170
Profit before tax		126,779	172,262
Income tax	4.8.	(11,656)	(20,333)
Profit for the period		115,123	151,929
<i>Gains/(Losses) on valuation of financial assets measured at fair value through other comprehensive income</i>	3.10.2.	15	(22)
Total items that may be reclassified to profit or loss		15	(22)
<i>Actuarial gains/(losses) on provisions for employee benefits after termination</i>		(60)	5
Total items that will not be reclassified to profit or loss	3.10.2.	(60)	5
Total other comprehensive income after tax		(45)	(17)
Total comprehensive income		115,078	151,912
Basic/Diluted earnings per share (PLN)	3.10.5.	2.74	3.62

The attached Notes are an integral part of these Financial Statements.

SEPARATE STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2019	2018
Total net cash flows from operating activities		66,852	62,740
Net profit of the period		115,123	151,929
Adjustments:		(29,612)	(62,470)
Income tax	4.8.	11,656	20,333
Depreciation and amortisation	5	23,447	20,257
Dividend (income)	4.5.	(70,951)	(69,697)
(Gains) on investment/losses on impairment of investment in other entities	4.7.	2,173	(30,170)
(Gains) on financial assets measured at amortised cost	3.6.5.	(4,238)	(3,747)
Interest on bonds	3.11.	7,269	7,300
Other adjustments	5	3	(159)
Change of assets and liabilities:		1,029	(6,587)
<i>Inventories</i>		17	(8)
<i>Trade receivables and other receivables</i>	3.6.4.	(5,429)	2,400
<i>Trade payables</i>	3.15.	3,472	(7,456)
<i>Contract assets</i>	3.7.	75	(1,015)
<i>Contract liabilities</i>	3.7.	1,951	(10)
<i>Non-current prepayments</i>	3.8.	722	512
<i>Non-current accruals</i>	3.13.	1,040	-
<i>Employee benefits payable</i>	3.12.	1,571	326
<i>Other liabilities (excluding contracted investments and dividend payable)</i>	3.14.	(2,417)	(1,193)
<i>Provisions for liabilities and other charges</i>		27	(143)
Advances for income tax received from related parties in TG	4.8.	11,771	9,029
Income tax (paid)/refunded	4.8.	(30,430)	(35,748)

The attached Notes are an integral part of these Financial Statements.

SEPARATE STATEMENT OF CASH FLOWS (CONTINUED)

	Note	Year ended 31 December	
		2019	2018
Total cash flows from investing activities:		104,475	5,880
In:		795,160	655,632
Sale of property, plant and equipment and intangible assets		7	387
Dividends received	4.5.	70,951	69,697
Sale of financial assets measured at amortised cost		717,281	525,237
Interest on financial assets measured at amortised cost	3.6.5.	4,397	2,748
Sale of held-for-sale financial assets	3.4.	-	57,563
Sublease payments (interest)	4.5., 3.5.7.	293	-
Sublease payments (principal)	3.5.7.	2,131	-
Repayment of a loan granted to a related party	6.3.3.	100	-
Out:		(690,685)	(649,752)
Purchase of property, plant and equipment and advances for property, plant and equipment		(6,370)	(9,851)
Purchase of intangible assets and advances for intangible assets		(4,177)	(2,034)
Purchase of financial assets measured at amortised cost		(675,038)	(637,867)
Loan granted	6.3.3.	(100)	-
Investments in subsidiaries	3.3.	(5,000)	-
Total cash flows from financing activities:		(145,066)	(99,588)
In:		1,072	-
Grants received	6.2.	1,072	-
Out:		(146,138)	(99,588)
Dividend paid	3.10.4.	(133,449)	(92,288)
Interest paid on bonds	3.11.	(7,275)	(7,300)
Lease payments (interest)	4.6., 3.5.6.	(697)	-
Lease payments (principal)	3.5.6.	(4,717)	-
Net (decrease)/increase in cash and cash equivalents		26,261	(30,968)
<i>Impact of fx rates on cash balance in currencies</i>		(264)	189
Cash and cash equivalents - opening balance	3.6.6.	21,967	52,746
Cash and cash equivalents - closing balance	3.6.6.	47,964	21,967

The attached Notes are an integral part of these Financial Statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital	Other reserves	Retained earnings	Total equity
As at 1 January 2019	63,865	(142)	434,514	498,237
Dividend	-	-	(133,471)	(133,471)
Transactions with owners recognised directly in equity	-	-	(133,471)	(133,471)
Net profit for 2019	-	-	115,123	115,123
Other comprehensive income	-	(45)	-	(45)
Total comprehensive income for 2019	-	(45)	115,123	115,078
As at 31 December 2019	63,865	(187)	416,165	479,843

	Share capital	Other reserves	Retained earnings	Total equity
As at 1 January 2018	63,865	(125)	374,923	438,663
Dividend	-	-	(92,338)	(92,338)
Transactions with owners recognised directly in equity	-	-	(92,338)	(92,338)
Net profit for 2018	-	-	151,929	151,929
Other comprehensive income	-	(17)	-	(17)
Total comprehensive income for 2018	-	(17)	151,929	151,912
As at 31 December 2018	63,865	(142)	434,514	498,237

The attached Notes are an integral part of these Financial Statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

1. GENERAL INFORMATION, BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS, ACCOUNTING POLICIES

1.1. LEGAL STATUS

Giełda Papierów Wartościowych w Warszawie Spółka Akcyjna ("the Warsaw Stock Exchange", "the Exchange", "GPW" or "the Company") with its registered office in Warsaw, ul. Książęca 4 was established by Notarial Deed on 12 April 1991 and registered in the Commercial Court in Warsaw on 25 April 1991 (entry no. KRS 000082312, Tax Identification Number 526-025-09-72, Regon 012021984). The Exchange has been listed on GPW's Main Market since 9 November 2010.

1.2. SCOPE OF OPERATIONS OF THE EXCHANGE

The core activities of the Exchange include organising exchange trading in financial instruments and activities related to such trading. At the same time, the Exchange organises an alternative trading system and pursues activities in education, promotion and information concerning the capital market.

The Company operates the following markets:

- › **GPW Main Market:** trade in equities, other equity-related financial instruments and other cash markets instruments as well as derivatives;
- › **NewConnect:** trade in equities and other equity-related financial instruments of small and medium-sized enterprises;
- › **Catalyst:** trade in corporate, municipal, co-operative, Treasury and mortgage bonds operated by the Exchange and BondSpot S.A. ("BondSpot").

1.3. APPROVAL OF THE FINANCIAL STATEMENTS

The separate financial statements were authorised for issuance by the Management Board of the Exchange on 3 April 2020.

1.4. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The following new standards and amendments of existing standards adopted by the European Union are effective for the financial statements of the Exchange for the financial year started on 1 January 2019:

- › IFRS 16 Leases;
- › IFRIC 23 Uncertainty over Income Tax Treatments;
- › Amendments to IFRS 9: Prepayment Features with Negative Compensation;
- › Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures;
- › Amendments to IAS 19: Plan Amendment, Curtailment or Settlement;
- › Annual Improvements 2015-2017:
 - ◆ amendment of IFRS 3 Business Combinations,
 - ◆ amendment of IFRS 11 Joint Arrangements,
 - ◆ amendment of IAS 12 Income Taxes,
 - ◆ amendment of IAS 23 Borrowing Costs.

The effect of initial application of IFRS 16 Leases to these financial statements is presented in Note 3.5.1. The other new standards and amendments to the standards have no material impact on these financial statements.

The key accounting policies applied in the preparation of these financial statements are presented below. These policies were continuously followed in all presented periods, unless indicated otherwise.

1.5. IFRS AND INTERPRETATIONS OF THE IFRS INTERPRETATIONS COMMITTEE (IFRIC)

The Exchange did not use the option of early application of new standards and interpretations already published and adopted by the European Union or planned for adoption in the near future which will take effect after the balance sheet date.

1.5.1. STANDARDS AND INTERPRETATIONS ADOPTED BY THE EUROPEAN UNION

An Update to references of the IFRS Conceptual Framework, already adopted by the European Union, will take effect for periods starting after 1 January 2020.

The Update includes a reference to the principle of substance over form and a definition of reporting entity. The Update of the Conceptual Framework improves the definition of assets and liabilities, defines income (as increases in assets or decreases in liabilities) and expenses (as decreases in assets or increases in liabilities). The Update directly links the disclosure criteria for information with qualitative characteristics. The Update modifies measurement methods (historical cost and current value) and measurement guidelines. The Update includes a new chapter dedicated to the presentation and disclosure of information in financial statements and the recognition of income and expenses in the statement of comprehensive income. The Exchange does not expect the amendments to have a material impact on its financial statements.

1.5.2. STANDARDS AND INTERPRETATIONS AWAITING ADOPTION BY THE EUROPEAN UNION

IFRS adopted by the European Union are not significantly different from the regulations approved by the International Accounting Standards Board (IASB) with the exception of the following Standards, Interpretations and Amendments that are not yet effective as at the date of these financial statements.

The following Standards and Interpretations (not yet effective) do not apply to the Exchange or are not expected to have material impact on the financial statements of the Company.

Standard	Effective date
Amendments to IFRS 3 Business Combinations – definition of a business	1 January 2020
Amendments to IAS 1 First-time Adoption of International Financial Reporting Standards and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors – Definition of material	1 January 2020
Interest Rate Benchmark Reform - Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, and IFRS 7 Statement of Cash Flows	1 January 2020
IFRS 17 Insurance Contracts	1 January 2021
IFRS 14 Regulatory Deferral Accounts	The European Commission decided not to start the adoption of the temporary Standard for the EU until the final version of IFRS 14 is published.
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	TBD

The Exchange plans to adopt these Amendments, as applicable to its business, when they become effective.

1.6. ACCOUNTING POLICY AND OTHER INFORMATION

1.6.1. FUNCTIONAL AND PRESENTATION CURRENCY

These separate financial statements are presented in the Polish zloty (PLN), which is the functional currency of the Exchange, and all values are presented in thousands of Polish zlotys (PLN'000) unless stated otherwise.

1.6.2. BASIS OF VALUATION

The financial statements have been prepared on the historical cost basis except for financial assets measured at fair value.

1.6.3. ESTIMATES AND JUDGMENTS

The preparation of financial statements in accordance with the IFRS requires making certain critical accounting estimates. It also requires the Exchange's Management Board to use its judgment in the application of the Exchange's accounting policy. Estimates and judgments are subject to on-going verification. Estimates and judgments adopted for the purpose of preparing the separate financial statements are based on historical experience, analyses and predictions of future events, which to the best knowledge of the Management Board of the Exchange are believed to be reasonable in the given situation.

Details of judgments and estimations are presented and highlighted in the Notes to these financial statements.

1.6.4. SELECTED ACCOUNTING POLICIES

Selected accounting policies are presented in the Notes to these financial statements.

1.6.5. EVALUATION OF BALANCES PRESENTED IN FOREIGN CURRENCIES

Transactions presented in foreign currencies are booked at the transaction date at the following foreign exchange rate:

- › the rate actually applied at such date, depending on the nature of the transaction – for sale or purchase of foreign currencies or payment of receivables or payables;
- › the average rate published for the currency by the National Bank of Poland at the day preceding such date – for other operations.

As at the balance sheet date:

- › monetary items presented in foreign currencies are converted with the closing foreign exchange (FX) rates;
- › non-monetary items presented in foreign currencies valued at historical cost are converted at the FX rate prevailing at the transaction date;
- › non-monetary items presented in foreign currencies at fair value are converted at the FX rate prevailing at the day of determining the fair value.

Foreign exchange gains and losses resulting from settlements of transactions in foreign currencies and from the conversions of monetary assets and liabilities denominated in foreign currencies are disclosed as profit / loss of the current period.

1.6.6. SEGMENT REPORTING

Information about business segments is presented only in the consolidated financial statements of the Warsaw Stock Exchange Group ("the GPW Group" or "the Group").

2. FINANCIAL RISK MANAGEMENT

2.1. FINANCIAL RISK FACTORS

The Exchange is exposed to the following financial risks:

- › market risk:
 - ◆ cash flow and fair value interest rate risk,
 - ◆ currency risk,
 - ◆ price risk,
- › credit risk,
- › liquidity risk.

The Exchange's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise any potential adverse effects on the Exchange's financial performance. The Management Board of the Exchange is responsible for financial risk management. The Exchange has dedicated departments responsible for ensuring its liquidity (including foreign currency liquidity), debt collection and timely payment of liabilities (particularly tax liabilities).

2.2. MARKET RISK

2.2.1. CASH FLOW AND FAIR VALUE INTEREST RISK

The Exchange is moderately exposed to interest rate risk.

The Exchange invests free cash in bank deposits, corporate bonds, certificates of deposit, and other instruments where the interest rate is fixed, negotiated and determined when contracted at levels close to market rates at contracting. If market rates rise, the Exchange will earn higher interest income; if market rates fall, the Exchange will earn lower interest income.

The Exchange is an issuer of series C bonds at fixed interest rates as well as series D and E bonds at floating interest rates based on WIBOR 6M. In the case of an increase in interest rates, the Exchange will be obligated to pay out interest coupons on series D and E bonds with a higher value; in the case of a decrease in interest rates, the value of those coupons will be lower (which has a direct impact on financial expenses of the Exchange).

Based on an analysis of the sensitivity of the profit before tax of the Exchange to market interest rates, the table below presents the impact of a change in the rate by 0.50 percentage point on financial income/costs (assuming no other changes):

	Impact of a decrease of interest rates by 0.5 percentage point on selected lines of the statement of comprehensive income	
	Year ended 31 December	
	2019	2018 r .
Financial income	(1,431)	(1,420)
Financial expenses	852	852

An increase of interest rates by 0.5 percentage point would cause the opposite change of financial income/costs by the same amount.

The table below presents financial assets and liabilities by maturity. Financial assets and liabilities not presented in the table below bear no interest.

	As at 31 December 2019					
	Maturity up to 1 year				1-5 Y	Total
	< 1 M	1-3 M	> 3 M	Total		
Corporate bonds	-	-	89,958	89,958	-	89,958
Bank deposits	-	-	177,729	177,729	-	177,729
Current accounts (other)	47,840	-	-	47,840	-	47,840
Total current	47,840	-	267,687	315,527	-	315,527
Total financial assets	47,840	-	267,687	315,527	-	315,527
Floating-rate bonds in issue	-	-	-	-	119,794	119,794
Total non-current	-	-	-	-	119,794	119,794
Floating-rate bonds in issue	-	-	1,250	1,250	-	1,250
Total current	-	-	1,250	1,250	-	1,250
Total financial liabilities	-	-	1,250	1,250	119,794	121,044

	As at 31 December 2018					
	Maturity up to 1 year				1-5 Y	Total
	< 1 M	1-3 M	> 3 M	Total		
Corporate bonds	-	-	34,964	34,964	-	34,964
Certificates of deposit	-	-	38,159	38,159	-	38,159
Bank deposits	-	-	236,967	236,967	-	236,967
Current accounts (other)	21,874	-	-	21,874	-	21,874
Total current	21,874	-	310,090	331,964	-	331,964
Total financial assets	21,874	-	310,090	331,964	-	331,964
Floating-rate bonds in issue	-	-	-	-	119,658	119,658
Total non-current	-	-	-	-	119,658	119,658
Floating-rate bonds in issue	-	-	1,256	1,256	-	1,256
Total current	-	-	1,256	1,256	-	1,256
Total financial liabilities	-	-	1,256	1,256	119,658	120,914

2.2.2. FOREIGN EXCHANGE RISK

The Company is exposed to moderate foreign exchange risk. The Company earns income in PLN and EUR. The Exchange pays costs mainly in PLN and also in EUR, USD and GBP. To minimise FX risk, the Company uses natural hedging, i.e., it covers the current cost denominated in EUR with cash deposited in a currency account, raised from clients who pay their debt in EUR. The Exchange used no derivatives to manage FX risk in 2019 and in 2018.

Based on a sensitivity analysis, as at 31 December 2019, a 10% change in the average exchange rate of PLN assuming no other changes would result in moderate change in the profit before tax, as presented in the table below:

	Impact of a +10% increase of the exchange rate on the profit before tax	
	Year ended 31 December	
	2019	2018
EUR	3,329	1,348
USD	1	-
GBP	25	7
Total impact on profit before tax	3,355	1,355

A 10% decrease of the exchange rates would cause the opposite change of the profit before tax by the same amount.

As at 31 December 2019					
<i>(converted to PLN at the FX rate of the balance-sheet date)</i>					
	PLN	EUR	USD	GBP	Total carrying amount in PLN
Financial assets measured at amortised cost	267,687	-	-	-	267,687
Trade receivables (net)	12,188	10,017	-	-	22,205
Other receivables*	1,806	7	-	5	1,818
Sublease receivables	6,080	2,585	-	-	8,665
Cash and cash equivalents	21,530	26,434	-	-	47,964
Total assets	309,291	39,043	-	5	348,339
Bonds in issue	246,282	-	-	-	246,282
Trade payables	7,482	276	14	198	7,970
Lease liabilities	20,082	768	-	-	20,850
Other liabilities**	14,693	2,129	-	-	16,822
Total liabilities	288,539	3,173	14	198	291,924
Net FX position	20,752	35,870	(14)	(193)	56,415

* net of prepayments and receivables from other taxes

** net of VAT payable and other taxes payable

As at 31 December 2018					
<i>(converted to PLN at the FX rate of the balance-sheet date)</i>					
	PLN	EUR	USD	GBP	Total carrying amount in PLN
Financial assets measured at amortised cost	310 090	-	-	-	310 090
Trade receivables (net)	10 442	8 693	1	-	19 136
Other receivables*	3 563	-	-	-	3 563
Cash and cash equivalents	14 396	7 571	-	-	21 967
Total assets	338 491	16 264	1	-	354 756
Bonds in issue	245 899	-	-	-	245 899
Trade payables	3 853	563	8	74	4 498
Other liabilities**	13 099	2 224	-	-	15 323
Total liabilities	262 851	2 787	8	74	265 720
Net FX position	75 640	13 477	(7)	(74)	89 036

* net of prepayments and receivables from other taxes

** net of VAT payable and other taxes payable

2.2.3. PRICE RISK

Given the nature of its business, the Exchange is not exposed to any mass commodity price risk.

The Exchange is minimally exposed to price risk of held equities measured at fair value. The value of such investments was not significant as at 31 December 2019 and as at 31 December 2018 (see Note 3.6.3).

2.3. CREDIT RISK

Credit risk is defined as a risk of occurrence of losses due to the Exchange's counterparty's default of payments or as a risk of decrease in economic value of amounts due as a result of deterioration of a counterparty's ability to pay due amounts.

Credit risk connected with trade receivables is mitigated by the Exchange Management Board by performing assessment of counterparties' credibility. In the opinion of the Exchange Management Board, there is no material concentration of credit risk of trade receivables within the Company.

Resolutions of the Exchange Management Board set payment dates that differ depending on groups of counterparties. The payment dates amount to 21 days for most counterparties, however, for data vendors, they are most often 45 days.

The credibility of counterparties is verified in accordance with internal regulations and good practice of the capital market as applicable to issuers of securities and Exchange Members. In the verification, the Exchange reviews in detail the application documents including financial statements, copies of entries in the National Court Register, and notifications of the Polish Financial Supervision Authority.

The maximum exposure of the Exchange to credit risk is reflected in the carrying amount of trade receivables, bank deposits, corporate bonds, certificates of deposit, and other securities. By decision of the Exchange Management Board, the Exchange's investment portfolio comprises only securities guaranteed by the State Treasury or issued (guaranteed) by institutions with a stable market position and high rating (rated above Baa2 by Moody's). In this way, exposure to the risk of potential loss is mitigated. In addition, credit risk is managed by the Exchange by diversifying banks in which free cash is deposited.

The table below presents the Exchange's exposure to credit risk.

	As at 31 December	
	2019	2018
Trade receivables (net)	22,205	19,136
Other receivables*	1,818	3,563
Cash and cash equivalents	47,964	21,967
Other current financial assets	267,687	310,090
Total exposure to credit risk	339,674	354,756

* net of prepayments and receivables from other taxes

2.4. LIQUIDITY RISK

An analysis of the Exchange's financial position and assets shows that the Exchange is not materially exposed to liquidity risk.

An analysis of the structure of the Exchange's assets shows a stable and rising share and value of liquid assets and, thus, a good liquidity position of the Exchange.

	As at 31 December 2019		As at 31 December 2018	
	amount	% of total assets	amount	% of total assets
Cash and cash equivalents	47,964	6.0%	21,967	2.8%
Financial assets measured at amortised cost	267,687	33.8%	310,090	39.5%
Assets other than cash and cash equivalents and financial assets measured at amortised cost	477,113	60.2%	453,197	57.7%
Total assets	792,764	100.0%	785,254	100.0%

An analysis of the structure of liabilities shows over 50% share of equity in the financing of the operations of the Exchange.

	As at 31 December 2019		As at 31 December 2018	
	amount	% of total equity and liabilities	amount	% of total equity and liabilities
Equity	479,843	60.5%	498,237	63.4%
Liabilities	312,921	39.5%	287,017	36.6%
Total equity and liabilities	792,764	100.0%	785,254	100.0%

To mitigate liquidity risk, the Exchange Management Board monitors, on an on-going basis, forecasts of liquid assets on the basis of maturities of assets, due dates of payables, and other projected cash flows.

As at 31 December 2019							
	> 1M	1-3 M	3-6 M	6-12 M	1-5 Y	> 5 Y	Total
Trade receivables (net)	18,256	2,680	1,269	-	-	-	22,205
Other receivables*	1,818	-	-	-	-	-	1,818
Sublease receivables	189	380	573	1,160	6,362	-	8,664
Financial assets measured at amortised cost	205,658	-	62,029	-	-	-	267,687
Cash and cash equivalents	47,964	-	-	-	-	-	47,964
Total assets	273,885	3,060	63,871	1,160	6,362	-	348,338
Bonds in issue	1,380	-	941	-	243,961	-	246,282
Trade payables	7,486	484	-	-	-	-	7,970
Lease liabilities	403	928	1,223	2,475	14,225	1,596	20,850
Other liabilities**	8,450	17	-	-	6,859	1,496	16,822
Total liabilities	17,719	1,429	2,164	2,475	265,045	3,092	291,924
Liquidity surplus/(gap)	256,166	1,631	61,707	(1,315)	(258,683)	(3,092)	56,414

* net of prepayments and receivables from other taxes

** net of VAT payable and other taxes payable

As at 31 December 2018							
	> 1M	1-3 M	3-6 M	6-12 M	1-5 Y	> 5 Y	Total
Trade receivables (net)	17,725	923	488	-	-	-	19,136
Other receivables*	770	2,793	-	-	-	-	3,563
Financial assets measured at amortised cost	163,802	35,100	111,188	-	-	-	310,090
Cash and cash equivalents	21,967	-	-	-	-	-	21,967
Total assets	204,264	38,816	111,676	-	-	-	354,756
Bonds in issue	1,256	-	682	-	243,961	-	245,899
Trade payables	4,347	149	1	1	-	-	4,498
Other liabilities**	3,489	-	-	-	8,885	2,949	15,323
Total liabilities	9,092	149	683	1	252,846	2,949	265,720
Liquidity surplus/(gap)	195,172	38,667	110,993	(1)	(252,846)	(2,949)	89,036

* net of prepayments and receivables from other taxes

** net of VAT payable and other taxes payable

2.5. CAPITAL MANAGEMENT

The objective of the Exchange when managing capital is to safeguard its ability to continue as a going concern in order to provide optimal returns to the shareholders and benefits to other stakeholders. The Exchange uses external capital (interest-bearing liabilities) and other financial instruments in order to optimise the structure and cost of capital.

In accordance with its capital management policy, the Exchange pays an annual dividend to the shareholders. The details of the dividend payments in 2018 and 2019 are presented in Note 3.10.4.

Capital management is supported by Alternative Performance Measures calculated according to the Guidelines of the European Securities and Markets Authority ("ESMA"). In particular, the Exchange monitors the following measures:

- › net debt / EBITDA,
- › debt to equity,
- › current liquidity,
- › bond interest coverage ratio.

	As at /For the year ended 31 December		Optimum
	2019	2018	
Debt and financing ratios:			
Net debt/EBITDA*	0.5	(0.1)	< 3
Debt to equity**	55.7%	49.4%	<100%
Liquidity ratios:			
Current liquidity***	9.5	15.1	> 1.5
Coverage of interest on bonds****	11.7	13.1	> 4

* Net debt = interest-bearing liabilities-liquid assets (as at balance-sheet date)
EBITDA = operating profit + depreciation and amortisation (in the last 12 months)

** Debt to equity = interest-bearing liabilities/equity (as at balance-sheet date)

*** Current liquidity = current assets /current liabilities (as at balance-sheet date)

**** Coverage of interest on bonds = EBITDA/interest on bonds

The measures as at/for the year ended 31 December 2019 are not comparable with the previous year due to the implementation of IFRS 16 starting on 1 January 2019. The application of IFRS 16 resulted in modifications to the accounting policies for leases, impacting depreciation charges, current liabilities, current assets, financial expenses, and net profit, which are used to calculate the measures presented in the table (see Note 3.5.1).

2.6. RISK GENERATED BY THE SARS-CoV-2 PANDEMIC

As an operator of Poland's capital market and electricity and gas market infrastructure, the Exchange is exposed to moderate operational and financial risk generated by the outbreak of the SARS-CoV-2 pandemic.

The Exchange Management Board has taken a number of measures to mitigate the risk.

Identified operational risks include:

- › periodic HR shortages caused by potential coronavirus infection and/or quarantine of the Exchange employees;

Increased absenteeism is driven by some employees using child care benefits due to the closing of all schools and universities in Poland. To prevent the risk of excessive absenteeism, most of the employees have been delegated to work remotely (nearly 95% of staff are working remotely at the date of these financial statements). The Exchange continuously monitors human resources across its departments. Key employees have been identified and their substitutes have been appointed. A total ban has been imposed on business travel to affected locations in Poland and on hosting employees from such locations. The procedures in place provide for mitigating measures in the event of confirmed coronavirus infections among employees. The legal framework applicable in the Exchange supports continued operation even if more than a half of members of the Management Board and the Supervisory Board of the Exchange were to be quarantined.

- › interruption of services by some vendors;

GPW employees continuously monitor compliance with the scope and quality requirements for services provided by third-party vendors. The Exchange has not identified any interruption in the provision of services by telecommunication, energy, and banking suppliers. Business continuity of the Exchange is ensured among others by diversification of providers and recovery resources available at the back-up location.

- › restricted activity of market makers caused by potential higher COVID-19 incidence and/or quarantine, which could reduce the liquidity of financial instruments listed on GPW;

In the case of structured instruments, there is a risk that their trade could be suspended in the absence of a market maker.

The impact of the consequences of the coronavirus on the financial standing of the Exchange has been analysed. The following issues have been identified:

- › If trading on all markets operated by the Exchange was to be suspended, the Exchange's estimated daily loss of revenue is approx. PLN 470 thousand.
- › Economic slowdown could significantly affect the valuations of companies listed on GPW, which could prompt institutional and retail investors to flee and cause delistings. Falling numbers of investors and GPW-listed companies could reduce the liquidity of instruments listed on GPW and reduce the Exchange's revenue.

- › In the case of a long-term bear market, retail investors would get discouraged to invest on the capital market, which could have an adverse impact on the revenue of the Exchange.
- › Credit risk could materialise if Exchange Members, issuers and participants of other markets operated by the Exchange were to default on their obligations vis-à-vis the Group.
- › The size and structure of the Exchange's financial assets suggests that short-term and mid-term liquidity risk is low (see: Note 2.4).
- › Due to natural hedging, the Exchange is not exposed to a high FX risk (see: Note 2.2.2).

The Exchange's procedures cover different scenarios of the epidemic and include adequate legal solutions necessary to ensure business continuity of the Exchange. The GPW has established a Crisis Management Team responsible for continuous monitoring of identified risks. In consultation with the GPW Group companies, the Crisis Management Team has prepared an action plan in the event of further escalation. As an organiser of trading, under its business continuity plan, the Exchange has established a range of tools, procedures and mechanisms to ensure continuity and safety of trade at a time of high market volatility.

As a part of efforts designed to calm investor sentiment in connection with the coronavirus threat, on 10 March 2020, the Exchange issued a communication to Exchange Members announcing the steps being taken and giving assurance of continuity of the service. The Exchange is actively present in the media, working to reinforce investor confidence. In March 2020, the Exchange Management Board decided to make a special donation of PLN 1 million for the acquisition of SARS-CoV-2 test equipment by the District Sanitary Stations in Siedlce and Radom.

In the opinion of the Exchange Management Board, the SARS-CoV-2 pandemic at this stage poses no threat to continued operation of the Exchange.

3. NOTES TO THE STATEMENT OF FINANCIAL POSITION

3.1. PROPERTY, PLANT AND EQUIPMENT

Selected accounting policies

Property, plant and equipment are disclosed at the cost of purchase or production, expansion or modernisation, net of accumulated depreciation and impairment losses. Purchase cost includes the cost of purchase, expansion and/or modernisation. Depreciation is calculated for property, plant and equipment items over their estimated useful life, taking into account their residual value and using the straight-line depreciation method.

Categories of property, plant and equipment	Depreciation period
Buildings ¹	10-40 Y
Leasehold improvements	10 Y
Vehicles	5 Y
Computer hardware	3-5 Y
Other fixed assets	5-10 Y

The depreciation method, the depreciation rate and the residual value are subject to regular verification by the Exchange. Any changes resulting from the verification are recorded as a change in accounting estimates, prospectively.

Land is not subject to depreciation.

Property, plant and equipment under construction or development is not depreciated until complete.

A component of property, plant and equipment is derecognised when sold or when economic benefits from its use or disposal are no longer expected. Gains and losses on disposal/liquidation of property, plant and equipment are determined as the difference between the proceeds (if any) and the net book value of property, plant and equipment and included in the profit or loss of the period as other income or other expenses.

¹ The Exchange uses shared parts of the Centrum Giełdowe building. Shared parts (elevators, lobby, hallways), which are owned in proportionate parts by the Exchange and the other owners of the building, are managed by the Tenants Association Książęca 4. To the extent owned by the Exchange, the shared parts of the building are recognised as assets in the financial statements. The operating expenses relating to such parts (maintenance, electricity, security, administration, etc.) are recognised in the statement of comprehensive income when paid.

Selected judgments and estimates

The Exchange determines the estimated economic useful life and depreciation rates for property, plant and equipment. These estimates are based on the anticipated periods for using the individual groups of assets. The adopted economic useful life may undergo considerable changes as a result of new technological solutions appearing on the market, plans of the Management Board of the Exchange or intensive use.

	Year ended 31 December 2019				
	Land and buildings	Vehicles and machinery	Furniture, fittings and equipment	Property, plant and equipment under construction	Total
Net carrying amount - opening balance	77,943	14,844	368	3,207	96,362
Additions	1,382	6,323	292	1,495	9,492
Disposals	(34)	-	(1)	-	(35)
Depreciation charge*	(3,160)	(6,881)	(362)	-	(10,403)
Net carrying amount - closing balance	76,131	14,286	297	4,702	95,416
As at 31 December 2019:					
Gross carrying amount	127,163	83,836	3,720	4,702	219,421
Depreciation	(51,032)	(69,550)	(3,423)	-	(124,005)
Net carrying amount	76,131	14,286	297	4,702	95,416

* Depreciation of PLN 148 thousand is capitalised to intangible assets under construction (licences).

	Year ended 31 December 2018				
	Land and buildings	Vehicles and machinery	Furniture, fittings and equipment	Property, plant and equipment under construction	Total
Net carrying amount - opening balance	76,415	17,373	445	2,036	96,269
Additions	4,524	4,255	286	1,171	10,236
Disposals	-	(34)	-	-	(34)
Depreciation charge	(2,996)	(6,750)	(363)	-	(10,109)
Net carrying amount - closing balance	77,943	14,844	368	3,207	96,362
As at 31 December 2018:					
Gross carrying amount	125,837	80,853	3,897	3,207	213,794
Depreciation	(47,894)	(66,009)	(3,529)	-	(117,432)
Net carrying amount	77,943	14,844	368	3,207	96,362

Vehicles and machinery include mainly IT hardware: servers, computers and network devices.

As at 31 December 2019, 42% of office space, car park space and other space owned by the Exchange in the Centrum Giełdowe building was under operating leases where the Exchange was the lessor (see: Note 3.5.3). The fixed assets under the leases (recognised in the statement of financial position as at 31 December 2019) stood at PLN 31,975 thousand. As at 31 December 2018, 15% of such space was under leases and the fixed assets under the leases stood at PLN 11,691 thousand.

Selected accounting policies

At each balance sheet date, the Exchange reviews non-financial assets to determine whether there are indicators of impairment except for inventories and deferred tax assets.

If such indicators are identified, the recoverable amount of an asset is estimated (as the higher of: fair value less selling costs or value in use). Value in use corresponds to the discounted value of the future economic benefits which would be generated by an asset.

At the end of every reporting period, the Exchange checks for conditions indicating that the impairment losses recognised in previous reporting periods may be redundant or excessive. In that case, impairment losses are reversed in whole or in part and the asset value is disclosed net of the impairment losses (but including depreciation).

Impairment losses are recognised in other expenses and reversed in other income.

The Exchange recognised no impairment of property, plant and equipment in 2019 and in 2018.

3.2. INTANGIBLE ASSETS

Selected accounting policies

Intangible assets include goodwill and other intangible assets.

Other intangible assets (licences and copyrights) are disclosed at cost of purchase or production net of accumulated amortisation and impairment losses.

Costs of intangible assets which do not improve or extend their useful life are recognised as cost when incurred. Otherwise, the costs are capitalised.

The cost of production of intangible assets includes all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by the Management Board of the Exchange. Direct costs include the cost of services used for production; amortisation of selected property, plant and equipment (IT hardware) used directly to produce the asset; and the cost of employee benefits directly attributable to the production of the asset. Such costs are capitalised when the costs and the related intangible asset meet the criteria of IAS 38.

Amortisation is calculated for other intangible assets over their estimated useful life using the straight-line amortisation method. The amortisation method and the amortisation rate are subject to regular verification by the Exchange. Any changes resulting from the verification are recorded as a change in accounting estimates, prospectively.

A component of intangible assets is derecognised when sold or when economic benefits from its use or disposal are no longer expected. Gains and losses on disposal/liquidation of intangible assets are determined as the difference between the net proceeds (if any) and the book value of intangible assets and included in the profit or loss of the period as other income or other expenses.

The Exchange performs an annual test of impairment of intangible assets which are not yet available for use by comparing the carrying value and the recoverable amount. For impairment testing purposes, intangible assets which are not yet available for use are allocated to cash generating units which are expected to benefit from the transaction responsible for the creation of the assets.

If the carrying value of an asset (or a cash generating unit) is higher than its recoverable value, impairment is recognised and the asset value is written down to recoverable value. Impairment losses are charged to the profit or loss of the period.

Selected judgments and estimates

The Exchange determines the estimated economic useful life and amortisation rates for other intangible assets. These estimates are based on the anticipated periods for using the individual groups of assets. The adopted economic useful life may undergo considerable changes as a result of new technological solutions appearing on the market, plans of the Management Board of the Exchange or intensive use. The estimated useful life of intangible assets varies from 1 to 5 years. Useful life is determined on an individual basis for intangible assets related to the trading system UTP, which has an estimated useful life is 12 years.

	Year ended 31 December 2019			
	Licences	Copyrights	Goodwill	Total
Net carrying amount - opening balance	55,759	679	-	56,439
Additions	3,452	122	-	3,574
Capitalised amortisation	152	-	-	152
Amortisation charge*	(10,059)	(276)	-	(10,335)
Net carrying amount - closing balance	49,304	525	-	49,829
As at 31 December 2019:				
Gross carrying amount	180,351	4,775	7,946	193,072
Impairment	-	-	(7,946)	(7,946)
Amortisation	(131,047)	(4,250)	-	(135,297)
Net carrying amount	49,304	525	-	49,829

* Amortisation of PLN 4 thousand is capitalised to intangible assets under construction (licences).

	Year ended 31 December 2018			
	Licences	Copyrights	Goodwill	Total
Net carrying amount - opening balance	63,846	895	-	64,741
Additions	1,788	58	-	1,846
Amortisation charge	(9,875)	(273)	-	(10,148)
Net carrying amount - closing balance	55,759	679	-	56,439
As at 31 December 2018:				
Gross carrying amount	176,808	4,653	7,946	189,407
Impairment	-	-	(7,946)	(7,946)
Amortisation	(121,050)	(3,974)	-	(125,023)
Net carrying amount	55,759	679	-	56,439

Universal Trading Platform ("UTP")

The UTP trading system represents the biggest intangible asset in the category "Licences". The UTP trading system licence was commissioned on 15 April 2013. The useful life of the UTP trading system was determined at 12 years (until 31 March 2025). The net value of the UTP trading system was PLN 40,735 thousand as at 31 December 2019 (PLN 48,494 thousand as at 31 December 2018).

The Exchange recognised no impairment of intangible assets as at 31 December 2019.

3.3. INVESTMENT IN SUBSIDIARIES

Selected accounting policies

The Exchange recognises investment in subsidiaries at cost less impairment losses.

The Exchange held investments in the following subsidiaries as at 31 December 2019:

- › Towarowa Giełda Energii S.A. ("TGE"), the parent entity of the Towarowa Giełda Energii S.A. Group ("TGE Group"),
- › BondSpot S.A. ("BondSpot"),
- › GPW Benchmark S.A. ("GPWB"),
- › GPW Ventures ASI S.A. ("GPWV"),
- › GPW Tech S.A. ("GPWT").

GPWV and GPWT were established in 2019. The Exchange is their sole shareholder. The total share capital of the new companies at PLN 4 million as at 31 December 2019 was fully paid with the Exchange's own resources.

The Exchange increased GPWB's capital by PLN 1 million in 2019.

The Exchange identified no indications of impairment of subsidiaries as at 31 December 2019 and as at 31 December 2018. Cash generating units (i.e., subsidiaries) to which goodwill presented in the consolidated financial statements of the GPW Group is attributable (in particular, TGE and BondSpot) were tested for impairment. The tests identified no impairment. The assumptions of tests are described in Note 3.2 to the consolidated financial statements of the GPW Group for 2019.

As at 31 December 2018, the Exchange held interest in the following subsidiaries: TGE, BondSpot, GPWB.

	As at 31 December 2019					
	TGE	BondSpot	GPWB	GPWT	GPWV	Total
Value at cost	214,582	34,394	2,909	1,000	3,000	255,885
Carrying amount	214,582	34,394	2,909	1,000	3,000	255,885
Number of shares	1,450,000	9,698,123	58,000	1,000,000	3,000,000	N/A
% of share capital	100.00	96.98	100.00	100.00	100.00	N/A
% of votes	100.00	96.98	100.00	100.00	100.00	N/A

	As at 31 December 2018					
	TGE	BondSpot	GPWB	GPWT	GPWV	Total
Value at cost	214,582	34,394	1,909	N/A	N/A	250,885
Carrying amount	214,582	34,394	1,909	N/A	N/A	250,885
Number of shares	1,450,000	9,698,123	38,000	N/A	N/A	N/A
% of share capital	100.00	96.98	100.00	N/A	N/A	N/A
% of votes	100.00	96.98	100.00	N/A	N/A	N/A

3.4. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

Selected accounting policies

The Exchange recognises investment in associates and joint ventures at cost less impairment losses.

The Exchange held interest in the following associates and joint ventures as at 31 December 2019 and as at 31 December 2018:

- ◆ Krajowy Depozyt Papierów Wartościowych S.A. ("KDPW", the parent entity of the KDPW Group),
- ◆ Centrum Giełdowe S.A. ("CG"),
- ◆ Polska Agencja Ratingowa S.A. ("PAR").

	As at 31 December 2019			
	KDPW	CG	PAR	Total
Value at cost	7,000	4,652	4,100	15,752
Impairment	-	-	(4,100)	(4,100)
Carrying amount	7,000	4,652	-	11,652
Number of shares	7,000	46,506	12,300,000	N/A
% of share capital	33.33	24.79	33.33	N/A
% of votes	33.33	24.79	33.33	N/A

	As at 31 December 2018			
	KDPW	CG	PAR	Total
Value at cost	7,000	4,652	4,100	15,752
Impairment	-	-	(1,927)	(1,927)
Carrying amount	7,000	4,652	2,173	13,825
Number of shares	7,000	46,506	12,300,000	N/A
% of share capital	33.33	24.79	33.33	N/A
% of votes	33.33	24.79	33.33	N/A

Investment in PAR

As at 1 January 2018, the Exchange held 100% of PAR. The capital of PAR was increased from PLN 2,173 thousand to PLN 6,519 thousand in 2018, resulting in a change of the shareholding structure. As at 30 June 2018, the Exchange recognised losses on the investment in PAR at PLN 1,927 thousand and the value of the investment was reduced to PLN 2,173 thousand. The loss was presented as an impairment loss on investments in other entities in the statement of comprehensive income for the year ended 31 December 2018.

On 24 July 2019, the European Securities and Markets Authority ("ESMA") refused to register PAR as an institution authorised to provide credit ratings. As a result, in the opinion of the Exchange Management Board, the criteria of impairment of the investment in PAR were met. Additional impairment losses on the investment were recognised at PLN 2,173 thousand as at 30 September 2019. Following the recognition of the impairment, the value of the investment in PAR in the statement of financial position of the Exchange was nil as at 31 December 2019. The loss was presented as an impairment loss on investments in other entities in the statement of comprehensive income for the year ended 31 December 2019. PAR will continue to work in the coming quarters to obtain ESMA's positive registration decision in the future.

The shareholders of PAR (in equal parts, one-third each) as at 31 December 2018 and as at 31 December 2019 are: Giełda Papierów Wartościowych w Warszawie S.A., Polski Fundusz Rozwoju S.A. ("PFR"), and Biuro Informacji Kredytowej S.A. ("BIK").

Sale of investment in Aquis Exchange Limited in 2018

In 2018, the Exchange sold Aquis shares at GBP 2.69 per share. The net receipts from the sale were PLN 57,546 thousand (net of the transaction cost of PLN 2,677 thousand). The gains on the sale of the shares at PLN 32,239 thousand were presented as gains on investments in the statement of comprehensive income for the year ended 31 December 2018.

3.5. LEASES

Selected accounting policies – Policies applicable as of 1 January 2019

As a lessee, under IFRS 16, the Exchange recognises as leases all contracts under which the right to use an asset is transferred for a given term in exchange for a fee. According to permissible simplifications, the Exchange does not apply accounting policies for leases to:

- › short-term lease contracts;
- › leases of low-value underlying assets ("low-value leases").

Such lease payments are recognised as costs on a straight-line basis in the financial result.

Low-value leases include mainly leases of: computers, coffee machines, office furniture. For low-value leases, the Exchange selects the recognition method individually for each contract, i.e., without defining a global threshold below which leases are considered low-value.

Short-term leases are leases up to 12 months.

For each lease contract, the Exchange defines the lease term as an uncancellable period including:

- › periods when the lessee is reasonably certain to exercise an option to extend the lease; and
- › periods when the lessee is reasonably certain not to exercise an option to terminate the lease.

As a lessor, the Exchange recognises lease contracts as an operating lease or a finance lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

Lease payments from operating leases are recognised as income on either a straight-line basis or another systemic basis. Income from office space leases is recognised in the amount of monthly rent. Any costs, including depreciation charges, incurred to earn the lease income are recognised in the financial result.

At the commencement date, assets held under a finance lease are recognised in the statement of financial position and presented as a lease/sublease receivable at an amount equal to the net investment in the lease.

Interest income on leases is recognised in the term of the lease to reflect a fixed periodic interest rate on the net investment in the lease made by the Exchange in the finance lease; the Exchange applies the effective interest rate method.

Sublease contracts are contracts where the underlying asset is re-leased by the Exchange ("intermediate lessor") to a third party and the lease ("head lease") between the head lessor and the Company remains in effect. Sublease contracts are classified as an operating lease or a finance lease.

The policy applicable to the head lease applies accordingly to finance sublease contracts, i.e., as an intermediate lessor, the Exchange derecognises the net value and the depreciation of the subleased assets from right-to-use assets in the statement of financial position and from depreciation in the statement of comprehensive income, accordingly.

Policies applicable up to 31 December 2018

A lease agreement is classified as a finance lease when the terms of the agreement transfer substantially all risks and rewards of ownership to the lessee. All remaining leases are treated as operating leases.

Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. If it is not expected that the legal title will be transferred to the lessee before the end of the lease term of land, it is classified as an operating lease. In particular, operating lease agreements comprise rights to perpetual usufruct of land.

Payments made under operating leases (net of any incentives received from the lessor) are charged to costs on a straight-line basis over the period of the leases.

3.5.1. EFFECT OF THE INITIAL APPLICATION OF IFRS 16 LEASES

The Exchange initially applied IFRS 16 in the period started 1 January 2019.

IFRS 16 was published in January 2016. For lessees, the new Standard eliminates the distinction between operating and finance leases. As a result, lessees will recognise nearly all lease contracts in the statement of financial position. According to the new Standard, right-to-use assets and lease liabilities are recognised in the statement of financial position. The only exceptions are short-term leases and low-value leases, which are not recognised by the Exchange in the statement of financial position.

According to paragraph C5(b) of IFRS 16, the Exchange implemented IFRS 16 without restating its comparative data; consequently, 2018 and 2019 data are not comparable. The total effect of initial application of the Standard was recognised as a correction of the opening balance of retained earnings. As lease assets and liabilities are estimated to be equal, the correction was nil as at 1 January 2019 (the application of the Standard does not impact the profits of previous years).

The Exchange uses the following practical solutions for leases previously classified as operating leases under IAS 17:

- › *it applies a single discount rate to a portfolio of leases of reasonably similar characteristics;*
- › *it does not apply requirements for the recognition of lease assets and liabilities in leases whose term ends after 12 months from initial application (such leases are classified as short-term leases and the costs related to such leases is shown in the financial result of the period and disclosed in the annual financial statements);*
- › *it does not recognise initial direct costs in the measurement of right-to-use assets at initial application.*

Those practical simplifications are applied consistently to all leases where the Exchange is either the lessee or the sublessor.

As at 1 January 2019, the Exchange:

- › *recognised right-to-use assets at PLN 17,021 thousand (including perpetual usufruct of land at PLN 2,437 thousand, reclassified from prepayments);*
- › *recognised sublease receivables at PLN 9,751 thousand;*
- › *recognised lease liabilities at PLN 24,335 thousand;*

- › no longer recognised prepayments at PLN 2,437 thousand (including PLN 106 thousand presented at 31 December 2018 as trade and other receivables and PLN 2,331 thousand presented at 31 December 2018 as non-current prepayments).

	As at		
	31 December 2018	Adjustment at initial application of IFRS 16	1 January 2019
Total non-current assets, including:	426,635	22,532	449,167
Right-to-use assets	-	17,021	17,021
Sublease receivables	-	7,842	7,842
Prepayments	4,801	(2,331)	2,470
Total current assets, including:	358,619	1,803	360,422
Trade receivables and other receivables	25,483	(106)	25,377
Sublease receivables	-	1,909	1,909
TOTAL ASSETS	785,254	24,335	809,589
Equity	498,237	-	498,237
Non-current liabilities, including:	263,237	19,847	283,084
Lease liabilities	-	19,847	19,847
Current liabilities, including:	23,780	4,488	28,268
Lease liabilities	-	4,488	4,488
TOTAL EQUITY AND LIABILITIES	785,254	24,335	809,589

Due to the changes to the recognition of certain leases following the application of IFRS 16, the value of lease liabilities disclosed as at 31 December 2018 (future minimum lease payments under non-cancellable operating leases) changed in relation to lease liabilities recognised in the statement of financial position as at 1 January 2019.

Future minimum lease payments under non-cancellable operating leases as at 31 December 2018 (IAS 17)	20,122
Elimination of low-value leases	(1)
Effect of change in expected term of lease	6,986
Effect of discounting	(2,772)
Lease liabilities as at 1 January 2019 (IFRS 16)	24,335

Due to the changes to the recognition of certain leases following the application of IFRS 16, the value of lease receivables disclosed as at 31 December 2018 changed in relation to sublease receivables recognised in the statement of financial position as at 1 January 2019.

Future minimum lease payments under non-cancellable operating leases as at 31 December 2018 (IAS 17)	7,557
Effect of change in expected term of lease	3,001
Effect of discounting	(806)
Sublease receivables as at 1 January 2019 (IFRS 16)	9,752

The weighted average incremental borrowing rate of lease liabilities recognised in the statement of financial position as at 1 January 2019 was 3.03% (3.08% as at 31 December 2019). The rate of sublease receivables was 2.98% as at 1 January 2019 (3.17% as at 31 December 2019).

3.5.2. QUALITATIVE AND QUANTITATIVE INFORMATION ABOUT LEASE TRANSACTIONS – EXCHANGE AS A LESSEE

The Exchange is a lessee of the following groups of assets:

- › office space and car park space in the Centrum Giełdowe building, ul. Książęca 4, Warsaw, and office space in Łódź;
- › perpetual usufruct of land occupied by the Centrum Giełdowe building;
- › colocation space (back-up office, racks, server rooms and maintenance rooms);
- › passenger cars.

Each lease contract is negotiated on an individual basis and contains a broad range of terms and conditions. The terms and conditions with a significant impact on the value of lease liabilities include:

- › no fixed term of most lease contracts for space in Centrum Giełdowe (with a termination notice of several months);
- › for colocation services: contracts with a fixed term (several years) which automatically extend upon expiry as a contract with no fixed term with a termination notice of several months;
- › three-year passenger car leases (after the term of the lease, the user has the option to buy the car; if the option is not exercised, the car is returned to the lessor).

The Exchange's leases contain no covenants; however, right-to-use assets cannot be used as loan collateral. They provide for no material variable lease payments which would depend on an index or a rate, the Exchange's revenue, a reference interest rate, or which would change to reflect changes to market rents.

In the opinion of the Exchange Management Board, the Company is not exposed to material risk of future cash outflows in respect of variable lease payments, residual value guarantee or leases not yet commenced. Given the nature of the lease contracts for space in Centrum Giełdowe (no fixed term) and colocation, if the expected lease period changes, the liability will be restated accordingly and future cash outflows will increase.

Depreciation and amortisation of right-to-use assets (net of depreciation of subleased assets), increases in right-to-use assets, and the carrying amount of right-to-use assets by category are presented in the table in Note 3.5.5.

Cash outflows under leases, excluding short-term leases and low-value leases, are presented net in the statement of cash flows as lease payments (interest) and lease payments (principal).

Cash outflows under short-term leases and low-value leases are presented as cost of the leases and are recognised in the statement of comprehensive income and presented in the table below.

	Note	Year ended 31 December	
		2019	2018
Depreciation of right-to-use assets	3.5.5.	2,861	N/A
Interest on lease liabilities	4.6.	697	N/A
Losses/(Gains) on termination of leases		15	N/A
Low-value leases		88	N/A
Operating lease expense (IAS 17)		N/A	4,752
Total lease expense in the statement of comprehensive income		3,660	4,752

The Exchange incurred no variable lease costs in 2019 that would not be included in the value of lease liabilities.

3.5.3. QUALITATIVE AND QUANTITATIVE INFORMATION ABOUT LEASE TRANSACTIONS – EXCHANGE AS A LESSOR

The activity of the Exchange as a lessor and sublessor is not the Company's core business. As the parent entity of the GPW Group, the Exchange operates as the Group's procurement centre, including office space, colocation space, and passenger cars. Revenue from operating leases and subleases covers the Exchange's operating expenses related to the leases (it is not the intention of the Company to finance its core business with profits earned as a lessor). Consequently, the activity of the Exchange as a provider of leases should be considered in a broader context, as an activity supporting the Group.

Where the Exchange leases proprietary space to third parties, such lease contracts are classified as operating leases.

Where the Exchange subleases leased space to third parties, such lease contracts are classified in accordance with the head lease (the Exchange is an intermediate lessor). Consequently, the Exchange recognises sublease receivables and reduces right-to-use assets under the head lease accordingly (recognised under IFRS 16).

As at 31 December 2019, the Exchange was:

- › the lessor (operating leases) of office space and car park space to GPW Group members and third parties;
- › the sublessor of office space and car park space to GPW Group members and third parties;
- › the sublessor of colocation space to GPW Group members;
- › the sublessor of passenger cars to GPW Group members.

The Exchange's operating leases and subleases contain no covenants and right-to-use assets cannot be used as loan collateral by the lessee. The leases provide for no material variable lease payments which would depend on an index or a rate, revenue, a reference interest rate, or which would change to reflect changes to market rents.

In the opinion of the Exchange Management Board, the Company as a lessor and sublessor is not exposed to risk of future cash outflows in respect of variable lease payments, residual value guarantee or leases not yet commenced. Given the nature of the lease contracts for space in Centrum Giełdowe (no fixed term) and colocation, if the expected lease period changes, sublease receivables (and the head lease liability) will be restated accordingly and future cash inflows will increase.

The Exchange was not a lessor of assets for periods shorter than 12 months (short-term leases) in 2019.

Cash inflows under subleases are presented net in the statement of cash flows as sublease payments (interest) and sublease payments (principal).

Cash inflows under operating leases is equal to revenue from operating leases presented in the table below.

	Note	Year ended 31 December	
		2019	2018
Interest on subleases	4.5.	293	N/A
Low-value subleases		23	N/A
Operating lease revenue		1,603	4,931
Total lease revenue (reduction of expenses) in the statement of comprehensive income		1,919	4,931

The Exchange earned no revenue in 2019 relating to variable lease payments that would not be included in sales revenue (operating leases) or in sublease receivables.

The table below presents lease payments due by due date and a reconciliation of sublease payments and the net lease position.

	Lease payments by due date as at 31 December 2019		Total
	Subleases	Operating leases	
within 1 year	2,538	2,026	4,564
in year 2	2,538	2,026	4,564
in year 3	2,276	2,014	4,290
in year 4	1,815	1,702	3,517
in year 5	10	-	10
after year 5	-	-	-
Total	9,177	7,768	16,945

	As at 31 December 2019
Total lease payments due under subleases	9,177
Effect of discounting	(513)
Net lease investment as at 31 December 2019	8,664

3.5.4. SELECTED JUDGMENTS AND ESTIMATES RELATED TO LEASES

Lease liabilities and right-to-use assets are calculated using professional judgment including:

- › determination of the period of lease;
- › determination of the incremental borrowing rate;
- › determination whether property owned by GPW is not (in part) an investment property.

For leases signed by the Exchange with no fixed term, the Exchange estimates the most likely period of the lease taking into account all facts and circumstances which provide an economic incentive to continue the lease. Afterwards, the Exchange uses judgment to determine if it is reasonably certain that the Exchange will continue the lease on the occurrence of any event or change of circumstances affecting the judgment.

The Exchange Management Board determined the term of leases using judgment as follows:

- › five-year term of lease of additional office space occupied by the Exchange in the Centrum Giełdowe building;
- › 23-year term of lease of land occupied by the Centrum Giełdowe building (equal to the depreciation period of premises and parts of the building in Centrum Giełdowe, owned by the Exchange).

The table below presents the impact of change of the term of lease of additional office space and land by 2 years.

	Assuming that the lease term is 2 years shorter	Assuming that the lease term is 2 years longer
Effect on lease liabilities as at 31 December 2019	(6,472)	6,102
Effect on sublease receivables as at 31 December 2019	(2,405)	2,267
Effect on operating expenses (depreciation and amortisation) for the year ended 31 December 2019	(96)	92
Effect on interest revenue on subleases for the year ended 31 December 2019	(70)	65
Effect on interest expense on leases for the year ended 31 December 2019	(187)	176

The Exchange Management Board determined the lease rate using judgment of the interest rate that the Exchange would have to pay to borrow, for a similar term and against similar collateral, funds necessary to buy the asset used under the lease contract. In the opinion of the Management Board, the interest rate on the bonds issued by the Exchange is a reasonable reflection of that rate.

	Assuming that the incremental borrowing rate is 1 percentage point lower	Assuming that the incremental borrowing rate is 1 percentage point higher
Effect on lease liabilities as at 31 December 2019	614	(572)
Effect on sublease receivables as at 31 December 2019	151	(146)
Effect on operating expenses (depreciation and amortisation) for the year ended 31 December 2019	116	(118)
Effect on interest revenue on subleases for the year ended 31 December 2019	71	(68)
Effect on interest expense on leases for the year ended 31 December 2019	214	(201)

In the opinion of the Management Board, the part of the Centrum Giełdowe building under operating leases does not fulfill the criteria of investment property. The reason why the Exchange owns the property is not its expectation that the market value of the property will increase or that the Exchange will earn revenue from rent.

3.5.5. RIGHT-TO-USE ASSETS

Selected accounting policies

The Exchange initially measures right-to-use assets at cost, including:

- › the initial valuation of the lease liability,
- › any lease payments paid at or before the commencement date less any lease incentives received,
- › any initial direct costs incurred by the lessee, and an estimate of any costs to be incurred by the lessee in dismantling and removing the underlying asset, or restoring the site on which it is located, or restoring the underlying asset to the condition required by the terms and conditions of the lease.

After the commencement date of the lease, the Exchange measures right-to-use assets applying a cost model, i.e., at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liability. Right-to-use assets are depreciated on a straight-line basis over the lease term.

For subleases, the head lease asset is derecognised in right-to-use assets in the statement of financial position and its depreciation is derecognised in depreciation in the statement of comprehensive income.

Right-to-use assets are presented in a separate line of the statement of financial position. The Exchange groups such assets by class of underlying asset and discloses the classes in the Notes. The main classes of underlying assets used under the right to use include office space and another premises, perpetual usufruct of land, cars and collocation space.

The table below presents changes to right-to-use assets by category, net of subleased assets.

	Year ended 31 December 2019				
	Office space and other premises	Perpetual usufruct of land	Cars	Colocation space	Total
Net carrying amount as at 31 December 2018	-	-	-	-	-
Adjustment - initial application of IFRS 16	2 711	4 433	587	9 290	17 021
Net carrying amount as at 1 January 2019	2 711	4 433	587	9 290	17 021
New leases	324	-	932	-	1 256
New subleases	(1 909)	-	(1 007)	-	(2 916)
Terminated subleases	1 829	-	-	-	1 829
Depreciation charges	(610)	(193)	(200)	(1 858)	(2 861)
Net carrying amount - closing balance	2 345	4 240	312	7 432	14 329

3.5.6. LEASE LIABILITIES

Selected accounting policies

The Exchange measures lease liabilities at the commencement date of the lease at the present value of the lease payments outstanding at that date. Lease payments are discounted at the interest rate implicit in the lease. If the Company cannot easily determine the interest rate implicit in the lease, it applies its incremental borrowing rate. The incremental borrowing rate of the Exchange is equal to the interest rate that the Exchange would have to pay to borrow, for a similar term and against similar collateral, funds necessary to buy an asset of a similar value as the asset used under the lease contract.

For the purposes of initial measurement of lease liabilities, the Exchange determines lease payments including:

- › fixed lease payments and variable lease payments depending on an index or rate;
- › amounts which the Exchange is expected to pay under a residual value guarantee;
- › the exercise price of an option to purchase the asset that the Exchange is reasonably certain to exercise;
- › payments for terminating the lease if the Exchange may exercise an option to terminate the lease according to the terms and conditions of the lease.

After the commencement date of the lease, the Exchange measures lease liabilities by:

- › calculating interest on the lease liability,
- › reducing the carrying amount to reflect the lease payments made,
- › remeasuring the carrying amount of the liability to reflect any reassessment or lease modifications.

As a result, each lease payment is allocated between lease liabilities (presented in a separate item of the statement of financial position, broken down by current and non-current items) and interest cost of leases (recognised in financial expenses in the statement of comprehensive income).

The table below presents changes to lease liabilities by category.

	Year ended 31 December 2019				
	Office space and other premises	Perpetual usufruct of land	Cars	Colocation space	Total
Net carrying amount as at 31 December 2018	-	-	-	-	-
Adjustment - initial application of IFRS 16	9,441	1,995	587	12,312	24,335
Net carrying amount as at 1 January 2019	9,441	1,995	587	12,312	24,335
New leases	324	-	932	-	1,256
Interest on lease liabilities	257	57	53	330	697
Lease liabilities settled in the period (equal to lease payments)	(2,168)	(118)	(477)	(2,650)	(5,413)
Revaluation of lease liabilities	(25)	-	-	-	(25)
Net carrying amount - closing balance, including:	7,829	1,934	1,095	9,992	20,850
<i>non-current</i>	<i>5,791</i>	<i>1,870</i>	<i>562</i>	<i>7,603</i>	<i>15,826</i>
<i>current</i>	<i>2,038</i>	<i>64</i>	<i>533</i>	<i>2,389</i>	<i>5,024</i>

An analysis of lease liabilities by due date is presented in Note 2.4.

3.5.7. SUBLEASE RECEIVABLES

Selected accounting policies

The Exchange measures sublease receivables in the same way as it measures lease liabilities, i.e., at the commencement date of the lease at the present value of the lease payments outstanding at that date. Lease payments are discounted at the interest rate implicit in the lease. If the Exchange cannot easily determine the interest rate implicit in the lease, it applies its incremental borrowing rate.

The table below presents changes to sublease receivables by category.

	Year ended 31 December 2019			
	Office space and other premises	Cars	Colocation space	Total
Net carrying amount as at 31 December 2018	-	-	-	-
Adjustment - initial application of IFRS 16	6,730	-	3,022	9,752
Net carrying amount as at 1 January 2019	6,730	-	3,022	9,752
New subleases	1,909	1,006	-	2,915
Terminated subleases	(1,830)	-	-	(1,830)
Interest on sublease receivables	179	33	81	293
Sublease receivables settled in the period (equal to lease payments)	(1,509)	(264)	(651)	(2,424)
Revaluation of sublease receivables	(25)	-	-	(25)
Reclassification and other adjustments	(17)	-	-	(17)
Net carrying amount - closing balance, including:	5,437	775	2,452	8,665
<i>non-current</i>	4,052	445	1,866	6,363
<i>current</i>	1,385	330	586	2,302

3.6. FINANCIAL ASSETS

3.6.1. CLASSIFICATION AND MEASUREMENT OF FINANCIAL ASSETS

Selected accounting policies

The Exchange's financial assets are classified into the following categories:

- › financial assets measured at amortised cost:
 - ◆ cash and cash equivalents,
 - ◆ trade receivables,
 - ◆ receivables from loans granted,
 - ◆ other receivables,
 - ◆ other financial assets (including bank deposits and held-to-maturity corporate bonds and certificates of deposit);
- › financial assets measured at fair value through profit or loss;
- › financial assets measured at fair value through other comprehensive income.

Cash and cash equivalents are presented in a dedicated item of the statement of financial position. Trade receivables and other receivables are presented in trade receivables and other receivables in the statement of financial position. Receivables from loans granted and other financial assets are presented in financial assets measured at amortised cost in the statement of financial position.

The assets are classified into those categories on initial recognition. Classification depends on:

- › the business model of asset portfolio management; and
- › the contractual terms of the financial asset.

Financial assets are derecognised when the right to receive cash flows from such assets expire or are transferred and the Exchange transfers substantially all the risks and rewards incidental to ownership of the assets.

"Financial assets measured at amortised cost" are presented in Notes 3.6.4, 3.6.5, 3.6.6.

"Financial assets measured at fair value "through other comprehensive income" are presented in Note 3.6.3.



The Exchange held no "financial assets measured at fair value through profit or loss" as at 31 December 2019 and as at 31 December 2018.

3.6.2. IMPAIRMENT OF FINANCIAL ASSETS

Selected accounting policies

At each balance sheet date, the Exchange recognises impairment (expected credit loss) of financial assets. If there has been a significant increase in credit risk of a financial asset since initial recognition, the Exchange recognises expected credit loss of the financial asset as an allowance equal to lifetime expected credit losses; otherwise, the financial asset will attract a loss allowance equal to 12-month expected credit loss.

The Exchange's impairment allowance for financial assets measured at amortised cost (other than trade receivables) is equal to the 12-month expected credit loss in view of the low credit risk of such financial instruments. The Exchange considers cash and cash equivalents, other receivables and other financial assets measured at amortised cost to carry low credit risk because it only accepts entities, including banks and financial institutions, of a high rating and stable market position, i.e., rated above Baa2 by Moody's.

The Exchange measures expected credit loss of financial instruments taking into account:

- › an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- › the time value of money;
- › reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

As trade receivables of the Exchange have no significant financing component, impairment of trade receivables is measured as an allowance equal to lifetime expected credit losses.

As at the end of each reporting year, to estimate expected credit loss on trade receivables, the Exchange performs a statistical analysis of trade receivables by category of clients (Exchange Members, Issuers, other clients) based on historical collection of debt from counterparties.

In the next step, the Exchange performs a portfolio analysis and calculates for each category of clients a matrix of allowances by age group. The allowance for debt which is not overdue as at the balance sheet date for a group of clients in a time bracket is equal to the value of trade receivables at the balance sheet date times the client's probability of default.

The expected credit loss (or released allowance) required to adjust the expected credit loss allowance as at the reporting date to the amount that should be recognised is presented in the statement of comprehensive income as gains or losses on impairment.

The expected credit loss allowance for financial assets classified as financial assets measured at amortised cost is shown as a reduction of the gross carrying amount of the financial asset in the statement of financial position.

The expected credit loss allowance for financial assets classified as financial assets measured at fair value through other comprehensive income is shown in other comprehensive income; it does not reduce the carrying amount of the financial asset.

3.6.3. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME
Selected accounting policies

Financial assets are classified as “financial assets measured at fair value through other comprehensive income” if the following two conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and to sell financial assets; and
- its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

“Financial assets measured at fair value through other comprehensive income” comprise shares in entities over which the Exchange does not exercise control or exert significant influence. They are disclosed as non-current assets unless the Exchange intends to sell them within 12 months after the balance sheet date.

“Financial assets measured at fair value through other comprehensive income” are initially recognised at fair value plus directly attributable transaction costs. After initial recognition, they are measured at fair value and any effect of change in the fair value (other than impairment losses and FX differences) is recognised in other comprehensive income and presented in equity as reserves. On derecognition, the cumulative profit or loss recognised in equity is taken to the profit or loss of the period.

	As at 31 December 2019			
	Infostrefa	Innex	BVB	Total
Value at cost	N/A	3,820	1,343	5,163
Remeasurement	N/A	-	(212)	(212)
Impairment	N/A	(3,820)	(1,011)	(4,831)
Carrying amount	N/A	-	120	120

	As at 31 December 2018			
	Infostrefa	Innex	BVB	Total
Value at cost	487	3,820	1,343	5,650
Remeasurement	-	-	(231)	(231)
Impairment	(487)	(3,820)	(1,011)	(5,318)
Carrying amount	-	-	101	101

Innex

The Exchange acquired a stake in the Ukrainian Stock Exchange Innex in July 2008. Impairment of the entire investment was recognised in 2008. The Exchange Management Board identified no indications of release of the full impairment of the investment in Innex as at 31 December 2019.

Bucharest Stock Exchange (“BVB”)

The Exchange acquired a stake in Sibex in 2010. SIBEX merged with BVB at 1 January 2018. Following the merger, the Exchange holds 5,232 BVB shares at a par value of RON 10 per share. BVB is listed on the Bucharest Stock Exchange.

InfoStrefa

GPW held 19.98% of shares of InfoStrefa as at 31 December 2018. The carrying value of the investment was nil as at 31 December 2018. InfoStrefa was liquidated in 2019.

Fair value hierarchy

Selected accounting policies

The Exchange classifies the valuation at fair value on the basis of a fair value hierarchy which reflects the significance of valuation input data. The fair value hierarchy includes the following levels:

- › (unadjusted) trading prices on active markets for identical assets or liabilities (level 1);
- › input data other than trading prices at level 1, which can be identified or observed for an asset or liability, directly (as prices) or indirectly (calculations based on prices) (level 2); and
- › input data for an asset or liability not based on observable market data (non-observable data) (level 3).

The fair value of BVB as at 31 December 2019 and as at 31 December 2018 was recognised at the share price (level 1 of the fair value hierarchy).

3.6.4. TRADE RECEIVABLES AND OTHER RECEIVABLES

Selected accounting policies

Trade receivables are receivables from clients of the Exchange held to payment. At initial recognition, trade receivables are measured at fair value, which is the nominal value of issued invoices. At the balance sheet date, trade receivables are measured at amortised cost net of impairment. Trade receivables payable in less than 12 months (from initial recognition) are measured at nominal value and not discounted.

Other receivables include mainly (current) prepayments. Prepayments are recorded when expenditures incurred relate to future reporting periods. Prepayments are recognised in the statement of comprehensive income over the lifetime of the relevant contract. Receivables which are not financial assets are presented at the amount due at the balance sheet date.

Non-current prepayments are presented as "prepayments" in non-current assets in the statement of financial position.

	As at 31 December	
	2019	2018
Gross trade receivables	26,792	23,752
Impairment allowances for trade receivables	(4,587)	(4,616)
Total trade receivables	22,205	19,136
Current prepayments	3,985	2,784
Receivables from subsidiaries in respect of CIT of TG	2,119	2,793
Sublease receivables	372	-
Other receivables	1,446	770
Total other receivables	7,922	6,347
Total trade receivables and other receivables	30,128	25,483

In the opinion of the Exchange Management Board, in view of the short due date of trade receivables, the carrying value of those receivables is similar to their fair value.

Until 31 December 2018, prepayments in respect of the right to perpetual usufruct of land were included in other receivables. Following the implementation of IFRS 16, as of 1 January 2019, all historical, current and future payments relating to the right to perpetual usufruct of land are included in the measurement of right-of-use assets and liabilities (see a description of the accounting policy concerning the recognition of leases, Note 3.5.1).

	As at 31 December	
	2019	2018
Receivables which are neither overdue nor impaired	14,447	15,351
1 to 30 days overdue	3,885	2,374
31 to 60 days overdue	885	475
61 to 90 days overdue	1,748	448
91 to 180 days overdue	1,267	488
Total overdue receivables (no impairment)	7,785	3,785
Impaired and overdue receivables	4,560	4,616
Total gross trade receivables	26,792	23,752

Trade receivables which are neither overdue nor impaired include mainly trade receivables from Exchange Members (banks and brokerage houses) and receivables from issuers of securities as well as receivables for other services.

	As at 31 December	
	2019	2018
Exchange Members	9,555	11,498
Issuers*	1,177	92
Other*	3,715	3,761
Total gross trade receivables not overdue	14,447	15,351

* Receivables from debtors who are at the same time Exchange Members and Issuers or Exchange Members and Data Vendors (other clients) are presented under receivables from Exchange Members.

Receivables from Exchange Members include receivables from Polish and foreign banks and brokerage houses, whose risk ratings are presented in the table below. Due to the fact that the Exchange does not have its own credit rating system, external credit ratings were used. If a single debtor had no credit rating, the rating of the parent entity of the debtor was used.

Receivables from issuers include fees due from companies listed on GPW.

Trade receivables from other clients include mainly fees for information services.

	As at 31 December	
	2019	2018
A a	55	1,243
A	6,591	4,510
Baa	309	2,421
B and BB	618	1,393
No rating	1,982	1,931
Total trade receivables from Exchange Members	9,555	11,498

As at 31 December 2019, trade receivables at PLN 12,345 thousand (31 December 2018 – PLN 8,401 thousand) were overdue. Of this amount, overdue receivables of the parent entity from debtors in bankruptcy or under creditor arrangements were PLN 1,281 thousand as at 31 December 2019 (31 December 2018 – PLN 1,504 thousand) and other past due receivables were PLN 11,064 thousand (31 December 2018 – PLN 6,897 thousand).

As at 31 December 2019, trade receivables at PLN 4,650 thousand (31 December 2018 – PLN 4,616 thousand) were overdue and impaired.

The Exchange has no collateral on receivables other than certain receivables under the Employee Loan Scheme. As at 31 December 2019, the Exchange's total receivables under the Scheme stood at PLN 460 thousand.

None of the Exchange's trade receivables were subject to renegotiation of the amount.

The fair value of trade receivables and other receivables is not significantly different from the book value.

Selected judgments and estimates

The calculation of impairment of receivables under IFRS 9 requires judgments necessary to define methodologies, models, the classification of clients, and other input data.

The Exchange's trade receivables have no significant financing component. Consequently, impairment as at 31 December 2019 was determined according to lifetime expected credit losses. Based on historical data, the Exchange performed a statistical analysis of the probability of payment of overdue trade receivables by receivables portfolio.

The estimated default ratios for clients whose debt is overdue for less than 180 days are as follows:

- › Exchange Members – from 0.10% to 0.75%,
- › issuers of securities listed on markets operated by the Exchange – from 13.06% to 45.65%,
- › other clients (including data vendors) – from 5.14% to 12.97%.

The Company concluded that the default ratios estimated on the basis of historical data represent the probability of default of trade receivables in the future and consequently the ratios were not adjusted.

The change of the impairment allowance for trade receivables in 2019 was PLN 29 thousand (reduction of allowance) and PLN 756 thousand was recognised in the statement of comprehensive income in 2019 as impairment loss on receivables. The difference at PLN 722 thousand were receivables written off in previous years. The total amount of PLN 756 thousand recognised as impairment loss on receivables included PLN 34 thousand receivables previously not written off and PLN 721 thousand under the expected loss model and the allowance matrix.

The change of the impairment allowance for trade receivables in 2018 was PLN 2,133 thousand (increase of allowance) and PLN 2,295 thousand was recognised in the statement of comprehensive income in 2018 as impairment loss on receivables. The difference at PLN 162 thousand were receivables written off in previous years. The total amount of PLN 2,295 thousand recognised as impairment loss on receivables included PLN 146 thousand receivables previously not written off and PLN 2,149 thousand under the expected loss model and the allowance matrix.

The impairment of trade receivables was determined according to the expected loss concept using a matrix of allowances described in Note 3.6.2.

	As at 31 December	
	2019	2018
Closing balance of previous year	4,616	2,224
Adjustment at first application of IFRS 9	N/A	259
Opening balance	4,616	2,483
Change of allowance balances - expected loss model (IFRS 9)	722	2,149
Receivables written off during the period as uncollectible	(751)	(16)
Closing balance	4,587	4,616

The table below presents trade receivables by geographic segment.

	As at 31 December	
	2019	2018
Domestic receivables	11,416	11,218
Foreign receivables	15,376	12,534
Total gross trade receivables	26,792	23,752

3.6.5. FINANCIAL ASSETS MEASURED AT AMORTISED COST
Selected accounting policies

Financial assets measured at amortised cost include: cash and cash equivalents, trade receivables, receivables from loans granted, other financial assets, and other receivables (see Note 3.6.1). Cash and cash equivalents, trade receivables and other receivables are presented in dedicated items of the statement of financial position (Notes 3.6.4, 3.6.6). Financial assets measured at amortised cost in the statement of financial position include other financial assets and receivables from loans granted. Other financial assets include mainly bank deposits, certificates of deposit and corporate bonds with initial maturities exceeding 3 months (from purchase/contracting).

Interest on financial assets classified as financial assets measured at amortised cost is measured using the effective interest rate method and recognised in the profit or loss of the period as part of financial income or financial expenses.

	As at 31 December	
	2019	2018
Corporate bonds	89,958	34,964
Certificates of deposit	-	38,159
Bank deposits	177,729	236,967
Total current	267,687	310,090
Total financial assets measured at amortised cost (over 3 months)	267,687	310,090

	Year ended 31 December 2019		
	Interest received	Interest accrued	Total recognised in financial income
Corporate bonds	579	238	817
Certificates of deposit	333	(158)	175
Bank deposits	3,485	(239)	3,246
Total revenue from assets measured at amortised cost (over 3 months)	4,397	(159)	4,238

	Year ended 31 December 2018		
	Interest received	Interest accrued	Total recognised in financial income
Corporate bonds	763	334	1,097
Certificates of deposit	355	158	513
Bank deposits	1,169	968	2,137
Total revenue from assets measured at amortised cost (over 3 months)	2,287	1,460	3,747

3.6.6. CASH AND CASH EQUIVALENTS
Selected accounting policies

Cash and cash equivalents are financial assets measured at amortised cost. Cash and cash equivalents include on-demand bank deposits, other short-term investments with original maturities up to 3 months (from contracting), which are highly liquid and easily convertible to known amounts of cash and which are subject to an insignificant risk of change in fair value. Cash deposited in a VAT account is classified as cash equivalents as it can be used to pay tax liabilities and can also be transferred to other current accounts (upon application to the Tax Office).

	As at 31 December	
	2019	2018
Current accounts (other)	47,840	21,874
VAT current accounts (split payment)	124	93
Total cash and cash equivalents	47,964	21,967

Cash and cash equivalents include current accounts and short-term bank deposits (up to 3 months). The carrying value of short-term bank deposits and current accounts is close to the fair value in view of their short maturity. The average maturity of bank deposits included in cash and cash equivalents was 2 days in 2019 and in 2018.

At the commencement of the development projects: New Trading System and GPW Data (see Note 6.2), the Exchange opened dedicated banks accounts for each of those projects. The total balance in those accounts was PLN 627 thousand as at 31 December 2019. Cash in such accounts is classified as restricted cash.

Cash in VAT accounts is also restricted cash due to regulatory restrictions on the availability of cash in such accounts for current payments.

3.7. CONTRACT ASSETS AND CONTRACT LIABILITIES

Selected accounting policies

Contract assets are a right to payment for services already transferred by the Exchange to a customer.

Contract liabilities are an obligation of the Exchange to provide a service to a customer in exchange for payment already received by the Exchange or due at the balance sheet date.

Contract assets include mainly information services. Other revenue classified as contract assets stood at PLN 940 thousand as at 31 December 2019 and PLN 1,015 thousand as at 31 December 2018.

Contract liabilities include annual and quarterly fees paid by market participants as well as fees for introduction of debt instruments into trading.

	As at 31 December	
	2019	2018
Listing	572	-
Total financial market	572	-
Total non-current	572	-
Trading	1,115	-
Listing	192	-
Information services and revenue from the calculation of reference rates	5	-
Total financial market	1,312	-
Other revenue	78	11
Total current	1,390	11
Total contract liabilities	1,962	11

3.8. (NON-CURRENT) PREPAYMENTS

Selected accounting policies

Non-current prepayments present amounts paid relating to future periods which are recognised over time.

Until 31 December 2018, non-current prepayments included the right to perpetual usufruct of land with expected economic useful life longer than one year.

Following the implementation of IFRS 16, as of 1 January 2019, all historical, current and future payments relating to the right to perpetual usufruct of land are included in the measurement of right-of-use assets and liabilities (see a description of the accounting policy concerning the recognition of leases, Note 3.5).

	As at 31 December	
	2019	2018
Perpetual usufruct of land	-	2,331
IT equipment maintenance service	1,737	2,455
Other	11	15
Total non-current prepayments	1,748	4,801

3.9. OTHER NON-CURRENT AND CURRENT ASSETS

Other current assets as at 31 December 2019 and other non-current assets as at 31 December 2018 included payments to the UTP vendor.

In June 2016, the Exchange concluded an agreement with the vendor of the trading system concerning final payments under the contract signed in 2010. Under the agreement, the Exchange had the option to buy a new trading system up to 31 December 2020. If the Exchange decided to implement that project, its expenditures would be considered an advance payment for the new licence from the UTP vendor. The advance was non-returnable if the project was not to be implemented. As the Exchange embarked on a project to develop a proprietary trading system (see Note 6.2), the Exchange Management Board is negotiating with the UTP vendor to exercise some of the vendor's rights in exchange for the advance paid by the Exchange.

In the opinion of the Exchange Management Board, it is very probable that the negotiations will close with a positive outcome; as a consequence, no impairment indications were identified in relation to other current assets as at 31 December 2019.

3.10. EQUITY

Selected accounting policies

The equity of the Exchange comprises:

- › share capital disclosed at par, adjusted for hyperinflation;
- › other reserves, including the revaluation reserve;
- › retained earnings, comprised of:
 - ◆ retained earnings from prior years (comprised of supplementary capital and other reserves formed from prior year profits); and
 - ◆ profit of the current period.

3.10.1. SHARE CAPITAL

As at 31 December 2019 and as at 31 December 2018, the share capital of the Exchange stood at PLN 41,972 thousand and was divided into 41,972,000 shares with a nominal value of PLN 1 per share including series A shares and series B shares. The Company's shares were fully paid up. Series A shares are preferred registered shares which may be exchanged

into bearer shares and become series B ordinary shares on exchange. Each series A share gives 2 votes. Series B shares are bearer shares. Each series B share gives 1 vote.

The share capital from before 1996 was restated using the general price index. The restatement of the share capital for inflation was PLN 21,893 thousand as at 31 December 2019 and as at 31 December 2018.

As required by the Exchange's Articles of Association, reserve capital is earmarked for covering losses that may arise in the operations of the Exchange and for supplementing the share capital or for payment of dividends. Reserve capital should not be lower than one-third of the share capital. Transfers from distributed profit to reserve capital may not be lower than 10% of the profit. Transfers may be discontinued when reserve capital equals one-third of the share capital. One-third of reserve capital may only be used to cover losses reported in financial statements.

Reserves are maintained by the Exchange to ensure the ability of financing investments and other expenses connected with the operations of the Exchange. Reserves can be used towards share capital or payment of dividends.

	As at 31 December 2019			As at 31 December 2018		
	Value at par	%		Value at par	%	
		share capital	total vote		share capital	total vote
State Treasury	14,688	35.00%	51.77%	14,688	35.00%	51.76%
Banks	49	0.12%	0.18%	56	0.13%	0.20%
Brokers	35	0.08%	0.12%	35	0.08%	0.12%
Total registered shares	14,772	35.20%	52.07%	14,779	35.21%	52.08%
Bearer shares	27,200	64.80%	47.93%	27,193	64.79%	47.92%
Total	41,972	100.00%	100.00%	41,972	100.00%	100.00%

3.10.2. OTHER RESERVES

	As at 1 January 2019	Revaluation	As at 31 December 2019
Revaluation	(21)	19	(2)
Deferred tax	5	(4)	1
Total capital from revaluation of financial assets measured at fair value through other comprehensive income	(16)	15	(1)
Revaluation	(156)	(74)	(230)
Deferred tax	30	14	44
Total capital from actuarial gains/losses	(126)	(60)	(186)
Total other reserves	(142)	(45)	(187)

3.10.3. RETAINED EARNINGS

	Reserve capital	Other reserves	Retained earnings	Profit for the period	Total retained earnings
As at 1 January 2019	37,021	279,081	(33,517)	151,929	434,514
Distribution of the net profit for the year ended 31 December 2018	-	18,458	133,471	(151,929)	-
Dividend	-	-	(133,471)	-	(133,471)
Net profit for the year ended 31 December 2019	-	-	-	115,123	115,123
As at 31 December 2019	37,021	297,539	(33,517)	115,123	416,165

	Reserve capital	Other reserves	Retained earnings	Profit for the period	Total retained earnings
As at 1 January 2018	37,021	302,386	(36,163)	71,679	374,923
Distribution of the net profit for the year ended 31 December 2017	-	199	71,480	(71,679)	-
Dividend	-	(23,504)	(68,834)	-	(92,338)
Net profit for the year ended 31 December 2018	-	-	-	151,929	151,929
As at 31 December 2018	37,021	279,081	(33,517)	151,929	434,514

3.10.4. DIVIDEND

As required by the Commercial Companies Code, the amounts to be divided between the shareholders may not exceed the net profit reported for the last financial year plus retained earnings, less accumulated losses and amounts transferred to reserves that are established in accordance with the law or the Articles of Association that may not be earmarked for the payment of dividend.

On 17 June 2019, the Annual General Meeting of the Exchange passed a resolution concerning the distribution of the Company's profit earned in 2018, including the allocation of PLN 133,471 thousand to the payment of dividend. The dividend was PLN 3.18 per share. The dividend record date was set at 19 July 2019. The dividend was paid out on 2 August 2019. The dividend paid to the State Treasury was PLN 46,709 thousand.

On 19 June 2018, the Annual General Meeting of the Exchange passed a resolution concerning the distribution of the Company's profit earned in 2017, including the allocation of PLN 92,338 thousand to the payment of dividend. The dividend was PLN 2.20 per share. The dividend record date was set at 19 July 2018. The dividend was paid out on 2 August 2018. The dividend paid to the State Treasury was PLN 32,315 thousand.

3.10.5. EARNINGS PER SHARE

	Year ended 31 December	
	2019	2018
Net profit for the period	115,123	151,929
Weighted average number of ordinary shares (in thousands)	41,972	41,972
Basic/diluted earnings per share (in PLN)	2.74	3.62

3.11. BOND ISSUE LIABILITIES

Selected accounting policies

Liabilities under bond issues, as well as trade payables and lease liabilities, are financial liabilities.

Financial liabilities at the balance sheet date are valued at amortised cost. The valuation is based on cost at which the liability was initially recognised less the repayment of the nominal value, adjusted for the cumulative amount of the discounted difference between the initial value and the maturity value. For instruments at floating interest rates, in relation to the next agreed re-pricing date (on which the interest rate is determined), it is calculated using the effective interest rate method. The effective interest rate is the internal rate of return (IRR) of the liability, which is used for discounting future cash flows of the financial instrument to present value.

	As at 31 December	
	2019	2018
Series C bonds	124,556	124,303
Series D and E bonds	119,794	119,658
Total non-current	244,350	243,961
Series C bonds	683	683
Series D and E bonds	1,250	1,256
Total current	1,932	1,938
Total liabilities under bond issue	246,282	245,899

For the year ended 31 December 2019						
	Opening balance	Interest accrued	Interest paid	Cost incurred	Cost settled	Closing balance
Principal	244,929	-	-	-	-	244,929
Interest	2,322	7,269	(7,275)	-	-	2,316
Cost of issuance	(1,352)	-	-	(2)	392	(962)
Total liabilities under bond issue	245,899	7,269	(7,275)	(2)	392	246,282

For the year ended 31 December 2018						
	Opening balance	Interest accrued	Interest paid	Cost incurred	Cost settled	Closing balance
Principal	244,929	-	-	-	-	244,929
Interest	2,322	7,300	(7,300)	-	-	2,322
Cost of issuance	(1,740)	-	-	(2)	390	(1,352)
Total liabilities under bond issue	245,511	7,300	(7,300)	(2)	390	245,899

Series C bonds

On 6 October 2015, the Exchange issued 1,250,000 series C unsecured bearer bonds in a total nominal amount of PLN 125 million. The nominal amount and the issue price was PLN 100 per bond. The series C bonds bear interest at a fixed rate of 3.19 percent per annum. Interest on the bonds is paid semi-annually. The bonds are due for redemption on 6 October 2022 against the payment of the nominal value to the bond holders.

The series C bonds were introduced to trading in the alternative trading system on Catalyst.

Series D and E bonds

On 13 October 2016, the Exchange issued 1,200,000 unsecured bearer bonds with a nominal value of PLN 100 per bond and a total nominal value of PLN 120 million. The bonds were issued in January 2017 in two series: series D bonds with a total nominal value of PLN 60 million and series E bonds with a total nominal value of PLN 60 million. The issue price of series D bonds addressed to institutional investors was PLN 100 per bond. The issue price of series E bonds addressed to individual investors was from PLN 99.88 to PLN 99.96 (depending on the date of subscription).

The series D and E bonds bear interest at a floating rate equal to WIBOR 6M plus a margin of 95 basis points. The interest on the bonds is paid semi-annually. The bonds are due for redemption on 31 January 2022.

The series D and E bonds were introduced to trading on the regulated market Catalyst.

	As at 31 December	
	2019	2018
Fair value of series C bonds	128,265	128,565
Fair value of series D and E bonds	122,470	122,492
Total fair value of bonds in issue	250,735	251,057

3.12. EMPLOYEE BENEFITS PAYABLE

Selected accounting policies

Employee benefits payable include retirement benefits and other benefits, including provisions for annual awards and bonuses and provisions for benefits after termination.

The present value of retirement benefits payable is determined as at the balance sheet date by an independent actuarial advisor. The calculated benefits payable are equal to discounted future payments taking into account employee rotation as at the balance sheet date. Demographic and employee rotation data are based on historical figures. Actuarial gains and losses on employee benefits after termination are included in other comprehensive income.

The Exchange sets up provisions for annual awards and bonuses in order to assign costs to the periods to which they relate. Provisions are estimated according to the best knowledge of the Exchange Management Board concerning probable bonuses to be paid based on the framework of the incentive scheme.

	As at 31 December	
	2019	2018
Retirement benefits	646	509
Other employee benefits	36	86
Non-current	682	595
Retirement benefits	43	58
Other employee benefits	10,536	9,037
Current	10,579	9,095
Total benefits in the statement of financial position	11,261	9,690

3.12.1. RETIREMENT BENEFITS

Provisions for retirement benefits are recorded by the Group according to valuation as at the balance sheet date provided by an independent actuarial advisor.

	As at 31 December	
	2019	2018
Total benefits in operating expenses	78	73
Total benefits in other comprehensive income	74	(6)
Total benefits in the statement of comprehensive income	152	67

	As at 31 December	
	2019	2018
Retirement benefits - opening balance	567	519
Current service cost	63	57
Interest cost	15	16
Actuarial losses/(gains) shown in other comprehensive income due to change of:	74	(6)
- <i>financial assumptions</i>	39	39
- <i>demographic assumptions</i>	-	(25)
- <i>other assumptions</i>	35	(20)
Total change shown in comprehensive income	152	67
Benefits paid	(30)	(19)
Retirement benefits - closing balance	689	567

	As at 31 December	
	2019	2018
Discount rate	2.1%	2.6%
Expected average annual increase of the base of provisions for retirement benefits	3.5%	3.5%
Inflation p.a.	2.5%	2.5%
Weighted average employee mobility	6.2%	6.3%

3.12.2. OTHER EMPLOYEE BENEFITS

	Year ended 31 December 2019					
	Opening balance	Set up	Used	Reclassified	Released	Closing balance
Annual and discretionary bonuses	7,575	7,256	(5,458)	50	(408)	9,015
Unused holiday leave	1,450	1,351	-	-	(1,336)	1,465
Overtime	12	57	-	-	(12)	57
Total current	9,037	8,664	(5,458)	50	(1,756)	10,536
Annual and discretionary bonuses	86	-	-	(50)	-	36
Total non-current	86	-	-	(50)	-	36
Total other employee benefits payable	9,123	8,664	(5,458)	-	(1,756)	10,573

	Year ended 31 December 2018					
	Opening balance	Set up	Used	Reclassified	Released	Closing balance
Annual and discretionary bonuses	6,772	6,495	(5,737)	130	(85)	7,575
Unused holiday leave	1,438	1,313	-	-	(1,301)	1,450
Overtime	227	12	-	-	(227)	12
Total current	8,437	7,820	(5,737)	130	(1,613)	9,037
Annual and discretionary bonuses	408	-	-	(130)	(192)	86
Total non-current	408	-	-	(130)	(192)	86
Total other employee benefits payable	8,845	7,820	(5,737)	-	(1,805)	9,123

3.13. ACCRUALS AND DEFERRED INCOME

Selected accounting policies

Accruals and deferred income include grants received and other payments.

Grants relating to assets are presented in the statement of financial position as deferred income (under accruals and deferred income) and recognised in the statement of comprehensive income (under other income) systematically through the useful life of the assets concerned by the grant.

Grants received are described in Note 6.2.

Non-current deferred income in relation to a grant for the New Trading System project was PLN 809 thousand in 2019 and current grants related to the project stood at PLN 231 thousand.

3.14. OTHER LIABILITIES

	As at 31 December	
	2019	2018
Contracted investments	-	2,224
Liabilities to the Polish National Foundation	8,355	9,611
Total non-current	8,355	11,835
Dividend payable	232	210
VAT payable	226	2,187
Liabilities in respect of other taxes	1,708	1,122
Contracted investments	6,572	1,827
Liabilities to the Polish National Foundation	1,255	1,219
Other liabilities	408	232
Total current	10,401	6,797
Total other liabilities	18,756	18,632

As a co-founder of the Polish National Foundation established in 2016 ("PFN"), the Exchange is required to contribute annual payments towards the statutory mission of PFN, totalling 11 payments from the establishment of the Foundation. Payments to PFN are donations and the liability of GPW to make all payments to PFN according to the founding deed of the Foundation arose when GPW joined the Foundation and signed its founding deed in 2016. The liability of the Exchange to PFN was PLN 9,610 thousand as at 31 December 2019.

3.15. TRADE PAYABLES

Selected accounting policies

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade payables, as well as liabilities under bond issues and lease liabilities, are financial liabilities. Financial liabilities at the balance sheet date are valued at amortised cost.

	Note	As at 31 December	
		2019	2018
Payables to associates	6.3.3.	329	37
Payables to subsidiaries	6.3.2	85	85
Payables to other entities		7,556	4,376
Total trade payables		7,970	4,498

In the opinion of the Exchange Management Board, due to the short due dates of trade payables, the carrying value of trade payables is similar to the fair value.

3.16. DEFERRED INCOME TAX

Selected accounting policies

Deferred tax is calculated using the liability method as tax payable or reimbursable in the future in respect of differences between carrying amounts of assets and liabilities and the corresponding tax amounts.

The deferred tax liabilities are recorded in the full amount and are not subject to discounting.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the temporary differences could be utilised. Deferred tax assets are reviewed at the balance sheet date; if expected future tax gains or positive temporary differences are insufficient to realise an asset in whole or in part, it is written off.

Deferred tax assets and liabilities can be offset when the Exchange has an enforceable right to offset current income tax receivables and liabilities and when the deferred tax assets and liabilities relate to income tax imposed on the same taxpayer by the same tax authorities.

The Company does not recognise deferred tax assets or liabilities in relation to a difference between the tax amount and the carrying amount of investments in subsidiaries and affiliates where the Company is able to control the timing of the reversal of the temporary difference (for deferred tax liabilities) and it is probable that the temporary difference will not reverse in the foreseeable future.

	Deferred tax (asset)/liability					
	As at 1 January 2019	(Credited)/ Debited in profit	(Credited)/ Debited in other comprehensive income	As at 31 December 2019		
				(Asset)/ Liability	Deferred tax asset	Deferred tax liability
Difference between accounting and tax value of property, plant and equipment and intangible assets	10,327	(1,063)	-	9,264	-	9,264
Impairment loss on investment in other entities	(1,054)	101	(5)	(958)	958	-
Employee benefits	(1,857)	(302)	(13)	(2,172)	2,172	-
Cost estimates	(263)	(335)	-	(598)	598	-
Deferred income	-	(145)	-	(145)	145	-
Impairment loss on trade receivables	(592)	(37)	-	(629)	629	-
Interest and costs of bond issue	(185)	(73)	-	(258)	441	183
Other	468	(267)	-	201	16	217
Total deferred tax (asset)/liability	6,846	(2,122)	(18)	4,705	4,960	9,663

	Deferred tax (asset)/liability					
	As at 1 January 2018	(Credited)/ Debited in profit	(Credited)/ Debited in other comprehensive income	As at 31 December 2018		
				(Asset)/ Liability	Deferred tax asset	Deferred tax liability
Difference between accounting and tax value of property, plant and equipment and intangible assets	11,295	(967)	-	10,327	-	10,327
Impairment loss on investment in other entities	(1,022)	(27)	(5)	(1,054)	1,054	-
Employee benefits	(1,782)	(76)	1	(1,857)	1,857	-
Cost estimates	(1,403)	1,140	-	(263)	263	-
Impairment loss on trade receivables	(221)	(371)	-	(592)	592	-
Interest and costs of bond issue	(111)	(74)	-	(185)	442	257
Other	259	211	-	468	2	470
Total deferred tax (asset)/liability	7,015	(164)	(4)	6,846	4,210	11,054

4. NOTES TO THE STATEMENT OF COMPREHENSIVE INCOME

4.1. SALES REVENUE

Selected accounting policies

Sales revenue is recognised at transaction price when the entity transfers control of services to a customer. All bundled services that can be separated under the contract with the customer are recognised separately. Any discounts and rebates of the transaction price are allocated to individual components of bundled services. Depending on whether certain criteria are met, revenue is recognised:

- › over time, in a manner that depicts the entity's performance; or
- › at a point in time, when control of the services is transferred to the customer.

The Exchange analyses potential collectability of debt when entering into a contract. If, at the time of entering into a contract, the entity is not likely to receive the amount due for future performance of a commitment, no revenue is recognised until the doubt about the collectability of debt is clarified.

Sales revenue consists of three main categories: revenue from the financial market, revenue from the commodity market, and other (sales) revenue.

Revenue from the financial market consists of:

- › **Revenue from trading:** revenue from Exchange Members, i.e., trading fees which depend on the type of traded instruments, the value of transactions, the number of executed orders and the volume of trade. In addition to trading fees, the Exchange charges flat-rate fees for access to and use of its IT system.
- › **Revenue from issuers:** fees for the listing of securities, fees for admission to trading, as well as other fees.
- › **Revenue from information services:** real-time stock exchange data and statistical and historical data in the form of subscriptions, electronic publications, calculation of indices, as well as other stock exchange index licenses and calculations. The sale of stock exchange information is based on separate agreements signed with exchange data vendors and Exchange Members.

Revenue from the commodity market includes mainly revenue from information services, i.e., commodity market data based on separate agreements signed with exchange data vendors, Exchange Members and other organisations, mainly financial institutions.

Other sales revenue includes administrative, accounting, HR, IT services for members of the GPW Group, lease of passenger cars, lease and maintenance of office space, training.

Selected judgments and estimates

The Company grants rebates to Exchange Members under the Exchange's Technology Development Support Programme. To be eligible for rebates, Exchange Members must invest in additional technological capacity including among others IT system and IT infrastructure upgrades or the development of new functionalities relating to brokerage services. Rebates are awarded to Exchange Members by the Exchange Management Board on the basis of documentation of expenses up to an individual limit set for the Exchange Member in the Programme.

As at 31 December 2019, the Exchange Management Board estimated that all Exchange Members participating in the Programme will use up the entire awarded limit.

As at the date of publication of these financial statements, the Exchange has completed its analysis of the performance obligation with respect to fees for the introduction of securities to trading.

Based on IFRIC publications, the Exchange Management Board has decided that fees relating to the services introducing securities to trading do not represent a separate performance obligation towards issuers and, as such, need not be recognised separately from the original performance obligation relating to the listing of such securities.

The Exchange Management Board has decided:

- › to discontinue the recognition of one-off revenue from introduction of debt instruments to trading as of 1 January 2019;
- › not to adjust retained earnings as at 31 December 2018 due to the change of the revenue recognition method for the period before 1 January 2019 (as the potential adjustment would be immaterial);
- › to continue one-off recognition of revenue from the introduction of equities and other equity-related instruments (as the future period of listing of such instruments cannot be reliably estimated).

It should be noted that the Exchange implemented IFRS 15 retrospectively with the cumulative effect of initial application at initial application date, i.e., 1 January 2018, through equity according to C7-C8 of IFRS 15. The analysis performed did not identify any adjustment of equity on initial application due to the change of the recognition method of fees for introduction of debt instruments to trading.

	Year ended 31 December	
	2019	2018
Financial market:	172,348	181,150
Trading:	107,837	114,277
Equities and equity-related instruments	87,449	94,082
Derivatives	10,611	12,068
Other fees paid by market participants	8,834	7,398
Debt instruments	443	349
Other cash instruments	500	380
Listing:	18,784	22,000
Listing fees	17,049	19,305
Fees for admission and introduction and other fees	1,735	2,695
Information services and revenue from the calculation of reference rates:	45,727	44,873
Real-time data and revenue from the calculation of reference rates	41,852	41,224
Historical and statistical data and indices	3,875	3,649
Commodity market:	685	423
Information services	685	423
Other revenue	10,566	9,307
Total sales revenue	183,599	190,880

	Year ended 31 December			
	2019	% share	2018	% share
Revenue from foreign customers	90,688	49.4%	84,816	44.4%
Revenue from local customers	92,911	50.6%	106,064	55.6%
Total sales revenue	183,599	100.0%	190,880	100.0%

4.2. OPERATING EXPENSES

Selected accounting policies

Expenses are a probable decrease of economic benefits in the reporting period, whose amount is reliably determined, that reduces the value of assets or increases liabilities and provisions, which will reduce equity or increase negative equity, other than due to withdrawal of funds by shareholders or owners.

Operating expenses include salaries and the cost of maintenance of the IT infrastructure of the trading system, as well as advisory costs, the cost of capital market and commodity market education, promotion and information.

The Exchange records expenses by type.

	Note	Year ended 31 December	
		2019	2018
Depreciation and amortisation	3.1., 3.2., 3.5.5.	23,448	20,257
<i>including: capitalised depreciation and amortisation charges</i>	3.2.	(152)	-
Salaries	4.2.1.	36,649	32,032
Other employee costs	4.2.1.	10,804	9,302
Rent and other maintenance fees		3,905	8,299
Fees and charges:		4,800	7,487
<i>including: fees paid to PFSA</i>	6.3.1.	3,578	6,863
External service charges	4.2.2.	35,276	31,157
Other operating expenses	4.2.3.	4,434	4,473
Total operating expenses		119,317	113,007

A decrease of rent and other maintenance fees in 2019 compared to 2018 was due to the implementation of IFRS 16. The effect of the initial application of IFRS is described in Note 3.5.1.

4.2.1. SALARIES AND OTHER EMPLOYEE COSTS

Selected accounting policies

Liabilities in respect of current employee benefits (i.e., remuneration, social security charges, paid holidays, sick leaves, etc.) are charged to costs in the period when benefits are paid.

Furthermore, the Exchange has an incentive scheme, according to which employees have the right to an annual bonus (dependent on the sales profit and the implementation of bonus targets and an additional element linked to the employee's individual appraisal). The Exchange sets up provisions for bonuses in order to assign costs to the periods to which they relate. Provisions are estimated according to the best knowledge of the Exchange Management Board concerning probable bonuses to be paid based on the framework of the incentive scheme.

The Exchange pays contributions to the Employee Pension Scheme (defined contributions scheme). Employees join the scheme voluntarily. After payment of the contributions, the Exchange has no further obligations to make payments to the Employee Pension Scheme. These contributions are charged to costs of employee benefits as they are incurred.

Under the applicable legislation, the Exchange is required to charge and pay contributions towards employees' pension benefits. Such benefits are a state scheme which is a defined contributions scheme. According to the Labour Code, employees have the right to receive a severance pay upon reaching retirement age. Retirement severance pay is paid on a one-off basis at the time of retirement. Paid retirement benefits are recognised as an expense of the period in which they are paid.

	Year ended 31 December	
	2019	2018
Gross remuneration	27,857	24,756
Annual and discretionary bonuses	5,828	5,315
Retirement severance pay	77	74
Reorganisation severance pay	-	64
Non-competition	-	205
Other (including: unused holiday leave, overtime)	432	225
Total payroll	34,194	30,639
Supplementary payroll	2,455	1,393
Total employee costs	36,649	32,032

	Year ended 31 December	
	2019	2018
Social security costs (ZUS)	5,540	4,673
Employee Pension Plan (PPE)	1,347	972
Other benefits (including medical services, lunch subsidies, sports, insurance, etc.)	3,917	3,657
Total other employee costs	10,804	9,302

Remuneration of the key management personnel is described in Note 6.4.

4.2.2. EXTERNAL SERVICE CHARGES

	Year ended 31 December	
	2019	2018
<i>IT infrastructure maintenance</i>	10,463	9,521
<i>Data transmission lines</i>	3,523	4,178
<i>Software modification</i>	247	95
Total IT cost	14,233	13,794
<i>Repair and maintenance of installations</i>	827	951
<i>Security</i>	1,550	1,325
<i>Cleaning</i>	648	502
<i>Phone and mobile phone services</i>	261	247
Total office space and office equipment maintenance	3,286	3,025
Lease, rental and maintenance of vehicles	232	204
Transportation services	91	95
Promotion, education, market development	3,884	4,039
Market liquidity support	1,321	910
Advisory (including legal, business consulting, audit)	4,601	4,806
Information services	5,643	2,977
Training	697	516
Mail fees	54	35
Bank fees	103	60
Translation	269	289
Other	862	407
Total external service charges	35,276	31,157

4.2.3. OTHER OPERATING EXPENSES

	Year ended 31 December	
	2019	2018
Electricity and heat	1,341	1,395
Consumption of other materials and energy	1,146	1,024
Membership fees	417	375
Insurance	220	262
Perpetual usufruct	-	106
Business trips	778	924
Conferences	333	161
Other	199	226
Total other operating expenses	4,434	4,473

4.3. OTHER INCOME

	Year ended 31 December	
	2019	2018
Grants received (New Trading Platform Project)	32	-
Gains on sale of property, plant and equipment	-	353
Annual correction of input VAT	923	357
Medical services reinvoiced to employees	306	287
Damages received	9	15
Other	7	103
Total other income	1,277	1,115

4.4. OTHER EXPENSES

	Year ended 31 December	
	2019	2018
Donations	2,757	478
Loss on sale of property, plant and equipment	28	-
Damages, penalties, fines	17	4
Impairment of investments and abandoned investments	87	828
Other	426	323
Total other expenses	3,315	1,633

In 2019, the Exchange made donations to:

- › Polish National Foundation – PLN 1,500 thousand (recognised in expenses in 2016),
- › GPW Foundation – PLN 2,737 thousand,
- › World Association of Home Army Soldiers – PLN 20 thousand.

In 2018, the Exchange made donations to:

- › Polish National Foundation – PLN 1,500 thousand (recognised in expenses in 2016),
- › GPW Foundation – PLN 461 thousand;
- › University of Warsaw – PLN 10 thousand;
- › Europejska Fundacja na rzecz osób potrzebujących – PLN 5 thousand;
- › Caritas – PLN 1 thousand.

4.5. FINANCIAL INCOME

Selected accounting policies

Interest income is recognised on a time-proportionate basis using the effective interest rate (IRR) method. Dividend income is recognised at the moment of establishing the shareholders' right to receive the payment.

	Note	Year ended 31 December	
		2019	2018
Income on financial assets presented as cash and cash equivalents		708	887
Income on financial assets presented as financial assets measured at amortised cost	3.6.5.	4,238	3,747
Interest on subleases	3.5.7.	293	-
Dividends		70,951	69,697
Other financial income		16	744
Total financial income		76,206	75,075

In 2019, the Exchange received dividends in the total amount of PLN 70,951 thousand from the following companies:

- › CG: PLN 441 thousand (paid on 31 May 2018),
- › TGE: PLN 63,945 thousand (paid on 19 July 2018),
- › KDPW: PLN 6,565 thousand (paid on 4 September 2019).

In 2018, GPW received dividends in the total amount of PLN 69,697 thousand from the following companies:

- › CG: PLN 372 thousand (paid on 30 May 2018),
- › TGE: PLN 69,325 thousand (paid on 19 July 2018).

In the statement of comprehensive income for the year ended 31 December 2019, the Exchange changed the presentation of comparative data (for the year ended 31 December 2018). As a result, gains on investment in other entities are now presented in a dedicated line in the statement of comprehensive income: gains on investment/(losses) on impairment of investment in other entities (Note 4.7).

4.6. FINANCIAL EXPENSES

Selected accounting policies

Financial expenses include costs and interest of bonds in issue, interest on loans and advances, and interest on tax liabilities. Interest on bonds is determined using the effective interest rate method.

	Note	Year ended 31 December	
		2019	2018
Interest on bonds, including:	3.11.	7,661	7,691
Accrued		386	391
Paid		7,275	7,300
Interest on leases	3.5.6.	697	-
Interest on tax payable		4	345
Other financial expenses		380	7
Total financial expenses		8,742	8,043

In the statement of comprehensive income for the year ended 31 December 2019, the Exchange changed the presentation of comparative data (for the year ended 31 December 2018). As a result, losses on investment in other entities are now

presented in a dedicated line in the statement of comprehensive income: "gains on investment/(losses) on impairment of investment in other entities" (Note 4.7).

4.7. GAINS ON INVESTMENT AND LOSSES ON IMPAIRMENT OF INVESTMENT IN OTHER ENTITIES

In 2019, the Exchange recognised a loss on impairment of investment in PAR (see Note 3.4) at PLN 2,173 thousand.

In 2018, the Exchange recognised gains on sale of investment in Aquis at PLN 32,239 thousand (see Note 3.4) and recognised a loss on impairment of:

- › PAR at PLN 1,927 thousand (see Note 3.4.),
- › InfoStrefa S.A. at PLN 76 thousand,
- › Bucharest Stock Exchange at PLN 66 thousand.

In the statement of comprehensive income for the year ended 31 December 2019, the Exchange changed the presentation of comparative data (for the year ended 31 December 2018). As a result, the above gains and losses previously presented under financial income and expenses, respectively, are now presented in gains on investment/(losses) on impairment of investment in other entities.

4.8. INCOME TAX

Selected accounting policies

Current income tax is calculated on the basis of net taxable income of the Exchange for a given financial year determined in accordance with the binding tax regulations and using the tax rates provided in those regulations. Net taxable income (loss) differs from accounting profit (loss) for the year due to:

- › costs which are not tax-deductible;
- › dividend income which is not taxable;
- › grants which are not taxable.

	Note	Year ended 31 December	
		2019	2018
Current income tax		13,778	20,497
Deferred tax	3.16.	(2,122)	(164)
Total income tax		11,656	20,333

As required by the Polish tax regulations, the corporate income tax rate applicable in 2019 and 2018 is 19%.

	Year ended 31 December	
	2019	2018
Profit before income tax	126,779	172,262
Income tax rate	19%	19%
Income tax at the statutory tax rate	24,088	32,730
Tax effect of:	(12,432)	(12,397)
Costs which are not tax-deductible	1,058	845
Dividend income which is not taxable	(13,481)	(13,242)
Grants which are not taxable	(9)	-
Total income tax	11,656	20,333

Tax Group ("TG")
Selected accounting policies

The companies participating in TG are not treated individually but collectively as one corporate income taxpayer under the Corporate Income Tax Act. Such taxpayer's income is determined as the surplus of incomes of the companies participating in TG over the sum of their losses.

While income taxes of the companies participating in TG are no longer paid individually, the companies are still required to individually pay other taxes including VAT and local taxes.

As the Company Representing TG, the Exchange is responsible for the calculation and payment of monthly corporate income tax advances of TG pursuant to the Corporate Income Tax Act.

On 25 November 2016, the Head of the First Mazovian Tax Office in Warsaw issued a decision registering TG for a period of three tax years (from 1 December 2017 to 31 December 2019). The TG comprised of the Exchange, TGE, BondSpot, and GPWB.

On 24 December 2019, the Head of the First Mazovian Tax Office in Warsaw issued a decision extending TG for another tax year, from 1 January to 31 December 2020.

As the Company Representing TG, the Exchange is responsible for the calculation and payment of corporate income tax advances of TG pursuant to the Corporate Income Tax Act. GPW's receivables from associates participating in TG in respect of income tax paid on their behalf were PLN 2,215 thousand as at 31 December 2019 (PLN 2,793 thousand as at 31 December 2018), presented under trade receivables and other receivables in the statement of financial position.

5. NOTE TO THE STATEMENT OF CASH FLOWS
Selected accounting policies

The statement of cash flows is prepared using the indirect method.

	Note	Year ended 31 December	
		2019	2018
Depreciation of property, plant and equipment*	3.1.	10,256	10,109
Amortisation of intangible assets**	3.2.	10,330	10,148
Depreciation of right-to-use assets	3.5.5.	2,861	-
Total depreciation and amortisation charges		23,447	20,257

*Depreciation includes depreciation charge capitalized to intangible assets at PLN 148 thousand.

**Amortization includes amortization charge capitalized to intangible assets at PLN 4 thousand.

	Note	Year ended 31 December	
		2019	2018
(Gains)/losses on sale of property, plant and equipment and intangible assets		28	(353)
(Gains)/losses on FX differences (valuation of accounts and deposits)		264	(189)
Sublease interest (income)	4.5.	(293)	-
Lease interest expense	4.6.	697	-
Financial expense on the bond issue		390	390
Other		(1,083)	(7)
Total other adjustments		3	(159)

6. OTHER NOTES

6.1. FINANCIAL INSTRUMENTS

	Year ended 31 December 2019					
	Interest received/paid	Interest accrued, revaluation and cost of bond issue	Impairment loss	Total shown in net profit	Total shown in other comprehensive income	Total shown in the statement of comprehensive income
Trade receivables (gross)	-	-	(756)	(756)	-	(756)
Equity instruments	-	-	-	-	15	15
Corporate bonds	719	238	-	957	-	957
Certificates of deposit	333	158	-	491	-	491
Bank deposits	4,042	239	-	4,281	-	4,281
Current accounts	11	-	-	11	-	11
Total financial instruments (assets)	5,105	635	(756)	4,984	15	4,999
Bonds in issue	(7,275)	(386)	-	(7,661)	-	(7,661)
Total financial instruments (liabilities)	(7,275)	(386)	-	(7,661)	-	(7,661)
Total recognised in the statement of comprehensive income	(2,170)	249	(756)	(2,677)	15	(2,662)

	Year ended 31 December 2018					
	Interest received/paid	Interest accrued, revaluation and cost of bond issue	Impairment loss	Total shown in net profit	Total shown in other comprehensive income	Total shown in the statement of comprehensive income
Trade receivables (gross)	-	-	(2,295)	(2,295)	-	(2,295)
Equity instruments	-	-	-	-	(27)	(27)
Corporate bonds	763	334	-	1,097	-	1,097
Certificates of deposit	354	159	-	513	-	513
Bank deposits	2,535	489	-	3,024	-	3,024
Total financial instruments (assets)	3,652	982	(2,295)	2,339	(27)	2,312
Bonds in issue	(7,300)	(391)	-	(7,691)	-	(7,691)
Total financial instruments (liabilities)	(7,300)	(391)	-	(7,691)	-	(7,691)
Total recognised in the statement of comprehensive income	(3,648)	591	(2,295)	(5,352)	(27)	(5,379)

6.2. GRANTS

Selected accounting policies

Government grants are assistance by government in the form of transfers of resources to an entity in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government refers to government, government agencies and similar bodies whether local, national or international.

A government grant is recognised when there is reasonable assurance that the Exchange will comply with any conditions attached to the grant and the grant will be received.

Grants related to assets are government grants whose primary condition is that an entity qualifying for them should purchase, construct or otherwise acquire long-term assets. They are presented in the statement of financial position

as deferred income and recognised in financial results (other income) systematically over the useful lifetime of the assets concerned by the grant.

Grants relating to income are grants other than grants relating to assets and they are recognised in other income systematically over the periods when the expenses covered by the grant are recognised.

Prepayments in respect of grants related to assets are presented in Note 3.13, income in respect of grants is presented in Note 4.3, and receivables in respect of grants are presented in Note 3.6.4.

New Trading System

The New Trading System is a development project of a new trading platform which will in the future help to reduce transaction costs and implement new functionalities and types of orders for Exchange Members, issuers, and investors. The system will provide superior reliability, security, and technical parameters.

The development and implementation of the new trading system will diversify the revenue base of the Exchange as the new system can be sold to other exchanges. The trading system will help to add new products to the Exchanges offer and make the Exchange even more attractive to capital market participants. The development of the Trading Platform will boost the reputation of the Exchange.

The project expenditures are estimated at approx. PLN 90 million including PLN 30.3 million to be financed by the National Centre for Research and Development (grant amount). The project work was initiated on 1 September 2019. Grant payments will be recognised as investment in assets and other expenses (indirect eligible expenses).

GPW Data

The GPW Data project is an innovative Artificial Intelligence system supporting investment decisions of capital market participants. GPW Data will be a tool for compilation and distribution of market data. The core of the system is a data repository, which may be made available to exchange investors for in-depth research supporting decision-making and investing on the capital market. Integral modules of GPW Data will include tools supporting decision-making based on AI algorithms. Project work was initiated in 2019. The first stage is the development of financial reporting models (taxonomy) compliant with the applicable electronic reporting standards. Next steps will focus on the development of a data repository, followed by the provision of investment tools. The project is scheduled to be rolled out in the latter half of 2021.

The cost of the development of the new system is estimated at PLN 8.3 million including PLN 4.2 million to be financed by the National Centre for Research and Development (grant amount). Grant payments will be recognised as investment in assets and other expenses (indirect eligible expenses).

Agricultural Market

A consortium comprised of GPW, TGE and IRGiT signed an agreement with Krajowy Ośrodek Wsparcia Rolnictwa (National Centre for Agricultural Support, KOWR) on 29 January 2019 concerning the Food Platform project which will launch an electronic trading platform for certain agricultural commodities. The platform will be operated by TGE and IRGiT (without the participation of the Exchange). As the consortium leader and the parent entity of the GPW Group, the Exchange only participates in project management and is paid a fee by the other consortium members which covers its expenses.

From the perspective of the consolidated financial statements of the GPW Group, the Agricultural Market project is a grant whose direct beneficiaries are TGE and IRGiT.

From the perspective of the separate financial statements of the Exchange, the Agricultural Market project is not a grant; instead, the Exchange provides project management services to TGE and IRGiT.

6.3. RELATED PARTY TRANSACTIONS

Selected accounting policies

Related parties of the Exchange include:

- › *the subsidiaries,*
- › *the associates and joint ventures,*
- › *the State Treasury as the parent entity,*
- › *entities controlled and jointly controlled by the State Treasury and entities over which the State Treasury has significant influence,*
- › *members of the key management personnel of the Exchange.*

6.3.1. INFORMATION ABOUT TRANSACTIONS WITH THE STATE TREASURY AND ENTITIES WHICH ARE RELATED PARTIES OF THE STATE TREASURY

Companies with a stake held by the State Treasury

The Exchange keeps no records which would clearly identify and aggregate transactions with all entities which are related parties of the State Treasury.

Companies with a stake held by the State Treasury which are parties to transactions with the Exchange include issuers (from which the Exchange charges introduction and listing fees) and Exchange Members (from which the Exchange charges fees for access to trade on the exchange market, fees for access to the IT systems, and fees for trade in financial instruments).

All trade transactions with entities with a stake held by the State Treasury are concluded by the Exchange in the normal course of business and are carried out on an arm's length basis.

Polish Financial Supervision Authority ("PFSA")

The PFSA Chairperson publishes the rates and the indicators necessary to calculate capital market supervision fees by 31 August of each calendar year. On that basis, the entities obliged to pay the fee calculate the final amount of the annual fee due for the year and pay the fee by 30 September of the calendar year.

Fees paid by the Exchange to PFSA stood at PLN 3,578 thousand in 2019 and PLN 6,863 thousand in 2018.

Tax Office

The Exchange is subject to taxation under Polish law and pays taxes to the State Treasury, which is a related party. The rules and regulations applicable to the Exchange are the same as those applicable to other entities which are not related parties of the State Treasury.

Details concerning income tax are presented in Note 4.8.

6.3.2. TRANSACTIONS WITH SUBSIDIARIES

Revenue of the Exchange from subsidiaries includes revenue from lease of office space (operating lease of proprietary space and sublease), lease of passenger cars, maintenance of premises, cleaning services, security services, accounting services, HR services, administrative services, IT services, and marketing services. Operating expenses paid by the Exchange to subsidiaries mainly relate to purchase of information services which are distributed by GPW.

	As at 31 December 2019		Year ended 31 December 2019	
	Receivables	Liabilities	Sales revenue or sublease interest	Operating expenses (including: decrease of depreciation and amortisation due to subleases)
TGE:	3,625	212	6,745	592
leases	2,039	-	555	(73)
other	1,586	212	6,190	664
IRGiT:	3,581	47	2,583	(100)
leases	3,067	-	780	(105)
other	514	47	1,803	5
BondSpot:	2,222	75	1,637	510
leases	2,061	-	577	(71)
other	161	75	1,060	581
GPWB:	1,025	474	780	2,615
leases	706	-	135	(16)
other	320	474	645	2,632
InfoEngine:	73	-	53	(2)
leases	68	-	17	(2)
other	5	-	37	0
GPW Tech:	163	-	17	(1)
leases	141	-	5	(1)
other	22	-	11	-
Total	10,690	808	11,816	3,615

The table above does not include transactions in fixed assets. The Exchange purchased network equipment from TGE and IRGiT in 2019. Those transactions were worth PLN 1,586 thousand and PLN 353 thousand, respectively.

	As at 31 December 2018		Year ended 31 December 2018	
	Receivables	Liabilities	Sales revenue	Operating expenses
TGE	603	18	4,133	285
IRGiT	143	-	2,219	11
BondSpot	188	79	1,422	562
GPWB	49	(12)	413	2,170
InfoEngine	-	-	54	-
PAR (since October 2018)	N/A	N/A	141	-
Total	983	85	8,382	3,028

Receivables from subsidiaries were not written off as uncollectible or provided for in the year ended 31 December 2019 and 31 December 2018.

Dividend

On 28 June 2019, the Annual General Meeting of TGE passed a resolution distributing TGE's profit for 2018 and decided to allocate PLN 63,945 thousand to a dividend payment. The entire dividend was paid to the Exchange on 19 July 2019.

On 29 June 2018, the Annual General Meeting of TGE passed a resolution distributing TGE's profit for 2017 and decided to allocate PLN 69,336 thousand to a dividend payment. The entire dividend was paid to the Exchange on 19 July 2018.

6.3.3. TRANSACTIONS WITH ASSOCIATES AND JOINT VENTURES

As owner and lessee of space in the Centrum Giełdowe building, the Exchange pays rent and maintenance charges for office space, including joint property, to the building manager, Centrum Giełdowe S.A. Transactions with the KDPW Group included fees for dividend payment services and joint organisation of integration events for the capital market community. Transactions with PAR included office space lease and related fees.

	As at 31 December 2019		Year ended 31 December 2019	
	Receivables	Liabilities	Sales revenue or sublease interest	Operating expenses (including: depreciation and amortisation/ decrease of depreciation and amortisation due to leases/subleases, and lease interest)
KDPW Group	37	1	117	66
Centrum Giełdowe:	-	7,845	-	3,477
leases	-	7,516	-	2,254
other	-	328	-	1,223
PAR:	532	-	318	(24)
leases	456	-	197	(24)
other	75	-	121	-
Total	569	7,846	434	3,519

Due to the initial application of IFRS 16 (see: Note 3.5.1) and the recognition of certain contracts with related parties as leases, the presentation of related party transactions for the years ended 31 December 2019 and 31 December 2018 is not comparable. The negative amount of operating expenses represents a reduction of the depreciation of right-to-use assets under subleases.

	As at 31 December 2018		Year ended 31 December 2018	
	Receivables	Liabilities	Sales revenue	Operating expenses
KDPW Group	62	-	279	71
Centrum Giełdowe	-	462	38	3,973
Aquis Exchange Limited (up to March 2018)	N/A	N/A	1	-
PAR (up to October 2018)	46	-	71	-
Total	108	462	389	4,044

Receivables from associates and joint ventures were not written off as uncollectible or provided for in the year ended 31 December 2019 and 31 December 2018.

Dividend from associates

On 20 May 2019, the Annual General Meeting of CG decided to allocate a part of the profit for 2018 equal to PLN 1,779 thousand to a dividend payment. The dividend attributable and paid to the Exchange on 31 May 2019 was PLN 441 thousand. In 2018, CG paid a dividend for 2017 in a total amount of PLN 1,501 thousand, including PLN 372 thousand attributable and paid to the Exchange.

On 10 June 2019, the Annual General Meeting of KDPW decided to allocate a part of the profit for 2018 equal to PLN 19,697 thousand to a dividend payment. The dividend attributable and paid to the Exchange was PLN 6,566 thousand. In 2018, KDPW allocated the entire profit for 2017 to reserves and paid no dividend to the shareholders.

Loans and advances

On 30 October 2019, the Exchange and Polski Fundusz Rozwoju S.A. signed a PLN 300 thousand loan agreement with PAR to finance the borrower's short-term liquidity gap. Under the agreement, the loan was to be paid to PAR in three equal tranches (financed in half by each of the lenders) in Q4 2019.

The first tranche of the loan was paid to PAR by the Exchange in the amount of PLN 50 thousand on 5 November 2019; the second tranche was paid on 22 November 2019; the third tranche was not paid. PAR paid the entire drawn amount of the loan at PLN 100 thousand back to the Company on 11 December 2019.

6.3.4. OTHER TRANSACTIONS

Transactions with the key management personnel

The Exchange entered into no transactions with the key management personnel in 2018 and in 2019.

Książęca 4 Street Tenants Association

In 2019, the Exchange concluded transactions with the Książęca 4 Street Tenants Association of which it is a member. The expenses amounted to PLN 3,821 thousand in 2019 and PLN 3,999 thousand in 2018. Moreover, when the Tenants Association generates a surplus during a year, it is credited towards current maintenance fees, and where there is a shortage, the Exchange is obliged to contribute an additional payment. The surplus payment amounted to PLN 183 thousand in 2019 and PLN 40 thousand in 2018.

6.4. INFORMATION ON REMUNERATION AND BENEFITS OF THE KEY MANAGEMENT PERSONNEL

Selected accounting policies

The key management personnel of the Exchange includes the Exchange Management Board and the Exchange Supervisory Board.

As of April 2017, the remuneration of the Exchange Management Board is subject to the limitations and requirements of the Act of 9 June 2016 on the terms of determining remuneration of managers of certain companies ("New Remuneration Cap Act"). According to the New Remuneration Cap Act, the remuneration of the Company's management includes:

- › a fixed monthly base salary determined depending on the scale of the Company's business, and
- › a variable part which is supplementary remuneration for the financial year depending on the performance of management targets.

Depending on its appraisal of the performance of individual targets and the results of the Company, the Exchange Supervisory Board may award a bonus to Management Board members in the amount not greater than 100% of the base salary of the Management Board member in the previous financial year.

The table concerning remuneration of the key management personnel does not present social security contributions paid by the employer.

The data presented in the table below are for all (current and former) members of the Exchange Management Board and the Exchange Supervisory Board who were in office in 2019 and 2018, respectively.

	Year ended 31 December	
	2019	2018
Base salary	2,002	1,620
Variable pay*	1,694	1,644
Bonus - bonus bank**	-	(107)
Bonus - one-off payment**	4	(81)
Bonus - phantom shares**	-	(60)
Other benefits	136	26
Benefits after termination	-	192
Total remuneration of the Exchange Management Board	3,836	3,234
Remuneration of the Exchange Supervisory Board	525	555
Total remuneration of the key management personnel	4,361	3,789

* Variable pay is the bonus under the "New Remuneration Cap Act".

** Bonus bank, one-off payment and phantom shares are under the Exchange's remuneration system in place before the "New Remuneration Cap Act". Negative figures in 2018 represent release of bonus provisions for 2017.

As at 31 December 2019, due (not paid) bonuses and variable remuneration of the key management personnel stood at PLN 3,282 thousand and concerned bonuses for 2016-2019. The cost was presented in the statement of comprehensive income for 2016-2018.

As at 31 December 2018, due (not paid) bonuses and variable remuneration of the key management personnel stood at PLN 4,112 thousand and concerned bonuses for 2016-2018. The cost was presented in the statement of comprehensive income for 2016-2019.

6.5. CONTRACTED INVESTMENTS

	As at 31 December	
	2019	2018
Contracted investments in property, plant and equipment	115	194
Contracted investments in intangible assets	253	479
Total contracted investments	368	673

Contracted investments in plant, property and equipment included mainly acquisition of IT hardware for the New Trading System as at 31 December 2019 and the acquisition of IT hardware and software as at 31 December 2018.

Contracted investments in intangible assets included mainly the GRC system, server time synchronisation software, the new Indexator as at 31 December 2019 and the trading surveillance system as at 31 December 2018.

6.6. CONTINGENT LIABILITIES

In connection with the implementation of the New Trading System project and GPW Data (see: Note 6.2), the Exchange presented two own blank bills of exchange to NCBR securing obligations under the projects' co-financing agreements. According to the agreements and the bill-of-exchange declarations, NCBR may complete the bills of exchange with the amount of provided co-financing which may be subject to refunding, together with interest accrued at the statutory rate of overdue taxes from the date of transfer of the amount to the Exchange's account to the day of repayment (separate for each project). NCBR may also complete the bills of exchange with the payment date and insert a "no protest" clause. The bills of exchange may be completed upon the fulfillment of conditions laid down in the co-financing agreement. Each of the bills of exchange shall be returned to the Exchange or destroyed after the project sustainability period defined in the project co-financing agreement.

6.7. EVENTS AFTER THE BALANCE SHEET DATE

PAR

On 19 February 2020, in order to support the liquidity of PAR and in connection with the intention to submit a registration application to ESMA in H1 2020, the PAR Management Board requested the shareholders:

- › to increase PAR's share capital by way of the Exchange and the Polish Development Fund taking up new issue shares in a nominal amount of PLN 1,166 thousand (in equal parts), and
- › to issue subscription warrants addressed to BIK under which it may take up shares in a nominal amount of PLN 583 thousand on or before 30 June 2020.

On 28 February 2020, the Exchange and Polski Fundusz Rozwoju S.A. signed a PLN 400 thousand loan agreement with PAR to finance the borrower's short-term liquidity gap. The amount of the loan (financed in half by each of the lenders) was paid to PAR on 28 February 2020. Under the agreement, PAR shall pay back the loan amount plus interest at 3.4% p.a. on or before 30 June 2020.

On 16 March 2020, the PAR Management Board requested the Extraordinary General Meeting of PAR to pass a resolution concerning continued existence of the company (given that the net loss of previous years is greater than the sum of supplementary capital and other reserves and one-third of the share capital).

Changes on the Exchange Management Board

On 2 March 2020, Mr Jacek Fotek, Vice-President of the Exchange Management Board, resigned from the Exchange Management Board effective on 30 April 2020.

SARS-CoV-2 pandemic

In March 2020, the Exchange Management Board decided to make a special donation of PLN 1 million for the acquisition of SARS-CoV-2 test equipment by the District Sanitary Stations in Siedlce and Radom.

The separate financial statements are presented by the Management Board of the Warsaw Stock Exchange:

Marek Dietl – President of the Management Board

Jacek Fotek – Vice-President of the Management Board

Piotr Borowski – Member of the Management Board

Dariusz Kułakowski – Member of the Management Board

Izabela Olszewska – Member of the Management Board

Signature of the person responsible for keeping books of account:

Piotr Kajczuk – Director of the Financial Department, Chief Accountant

Warsaw, 3 April 2020