SELECTED FINANCIAL DATA

	For the period: from 01.01.2019 to 31.12.2019 PLN '000	For the period: from 01.01.2018 to 31.12.2018* PLN '000	For the period: from 01.01.2019 to 31.12.2019 EUR '000	For the period: from 01.01.2018 to 31.12.2018* EUR '000
Gain on investments	128,036	187,540	29,763	43,952
Operating profit	123,577	152,252	28,727	35,682
Profit before tax	114,900	139,752	26,710	32,753
Net profit	113,388	137,544	26,358	32,235
Net cash from operating activities	56,020	(22,456)	13,022	(5,263)
Net cash from investing activities	284	63,190	66	14,809
Net cash from financing activities	(57,006)	(58,761)	(13,252)	(13,771)
Net increase/(decrease) in cash and cash equivalents	(702)	(18,027)	(163)	(4,225)

	As at 31.12.2019 PLN '000	As at 31.12.2018* PLN '000	As at 31.12.2019 EUR '000	As at 31.12.2018* EUR '000
Total assets	1,442,799	1,368,257	338,805	318,199
Long-term liabilities	78,637	96,579	18,466	22,460
Short-term liabilities	92,988	83,767	21,836	19,481
Equity	1,271,174	1,187,911	298,503	276,258
Share capital	52,954	52,920	12,435	12,307
Number of shares	52,953,560	52,920,078	52,953,560	52,920,078
Weighted average number of shares	51,680,436	52,894,944	51,680,436	52,894,944
Earnings/(loss) per weighted average ordinary share (PLN/EUR)	2.19	2.60	0.51	0.61
Book value per share (PLN/EUR)	24.01	22.46	5.64	5.22

* *Restated data*

The figures presented above are complementary to the financial statements prepared in accordance with EU IFRSs and have been converted to EUR according to the following principles:

- individual items of assets and liabilities as at the balance sheet date – at the mid exchange rate for the last balance sheet date, quoted by the National Bank of Poland; respectively as at 31 December 2019 – 4.2585, and as at 31 December 2018 – 4.3000;
- individual items of the statement of profit or loss and other comprehensive income and statement of cash flows for the period from 1 January to 31 December of a given year – at the mid exchange rate calculated as the arithmetic mean of the exchange rates quoted by the National Bank of Poland on the last day of the month in a given period; respectively for the period from 1 January to 31 December 2019 – PLN 4.3018, from 1 January to 31 December 2018 – 4.2669.

MCI Capital S.A.

Financial statements
for the financial year ended 31 December 2019

For the shareholders of MCI Capital S.A.

In accordance with the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state (Journal of Laws of 2018, item 757, as amended), the Management Board of the entity is required to ensure that the financial statements are prepared in accordance with the applicable accounting principles to give a true, fair and clear view of the assets and financial position of MCI Capital S.A. for the financial year ended 31 December 2019 and of it profit or loss for the financial year then ended.

These financial statements were authorised for issue by the Company's Management Board.

Name and surname	Position	Signature
Tomasz Czechowicz	President of the Management Board	
Ewa Ogryczak	Vice President of the Management Board	

Accounting records maintained by:
Ground Frost Outsourcing Sp. z o.o.
02-777 Warsaw, al. Komisji Edukacji Narodowej 95

Warsaw, 22 April 2020

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the financial year ended 31 December 2019

	NOTES	For the period: from 01.01.2019 to 31.12.2019 PLN '000	For the period: from 01.01.2018 to 31.12.2018* PLN '000
Revaluation of shares	1a	131,095	90,000
Gain or loss on investment certificates	1b	(1,259)	(71)
Revaluation of other financial instruments	1c	(1,800)	-
Dividend income		-	97,611
Gain on investments		**128,036**	**187,540**
Operating expenses	2	(4,577)	(3,930)
Other operating revenue	3	240	11,628
Other operating expenses	3	(122)	(42,986)
Operating profit		**123,577**	**152,252**
Finance income	4	2,893	4,349
Finance costs	4	(11,570)	(16,849)
Profit before tax		**114,900**	**139,752**
Income tax	5	(1,512)	(2,208)
Net profit		**113,388**	**137,544**
Net other comprehensive income		-	-
Total comprehensive income		**113,388**	**137,544**
Earnings per share			
Basic	6	2.19	2.60
Diluted	6	2.19	2.60

*Figures for 2018 were restated in connection with the adjustment described in the section Accounting policy – **Adjustment of financial data relating to previous years** on p. 11.

The statement of profit or loss and other comprehensive income should be read in conjunction with the notes to the financial statements and other explanatory information on pages 7 to 62.

STATEMENT OF FINANCIAL POSITION
as at 31 December 2019

	NOTES	As at 31.12.2019 PLN '000	As at 31.12.2018* PLN '000	As at 01.01.2018* PLN '000
ASSETS				
Non-current assets				
Property, plant and equipment		335	744	545
Right-of-use assets	16	195	-	-
Investment certificates	7	20,251	78,443	80,999
Investments in subsidiaries	8	1,400,585	1,264,032	1,167,077
Investments in associates	9	3,715	9,173	15,078
Investments in other entities		7	7	7
Long-term receivables	10c	454	425	412
Lease receivables	10b	819	-	-
Deferred tax assets	5	5,370	5,087	7,134
Other financial instruments	1d	2,436	200	200
		1,434,167	**1,358,111**	**1,271,452**
Current assets				
Short-term receivables	10a	1,039	2,943	24,720
Lease receivables	10b	1,092	-	-
Cash and cash equivalents	11	6,501	7,203	25,230
		8,632	**10,146**	**49,950**
Total assets		**1,442,799**	**1,368,257**	**1,321,402**
EQUITY AND LIABILITIES				
Equity				
Share capital	12	52,954	52,920	52,887
Supplementary capital	12	1,165,944	991,413	886,728
Other capital reserves		44,460	44,460	44,096
Retained earnings, including:		37,975	99,118	66,260
Profit (loss) brought forward		*(75,413)*	*(38,426)*	*(17,760)*
Net profit		*113,388*	*137,544*	*84,020*
Treasury shares		(30,159)	-	-
		1,271,174	**1,187,911**	**1,049,970**
Long-term liabilities				
Liabilities on account of bonds	14	77,421	95,930	133,001
Other liabilities	15	260	649	1,038
Lease liabilities	16	956	-	-
		78,637	**96,579**	**134,039**
Short-term liabilities				
Trade and other payables	15	737	1,093	2,811
Lease liabilities	16	1,192	-	-
Liabilities on account of bonds	14	24,881	82,499	122,729
Promissory notes payable	17	61,549	-	-
Other financial instruments	1d	4,036	-	-
Provisions	18	593	175	11,853
		92,988	**83,767**	**137,393**
Total equity and liabilities		**1,442,799**	**1,368,257**	**1,321,402**

* Figures for 2018 were restated in connection with the adjustment described in the section Accounting policy – **Adjustment of financial data relating to previous years** on p. 11.

The statement of financial position should be read in conjunction with the notes to the financial statements and other explanatory information on pages 7 to 62.

STATEMENT OF CHANGES IN EQUITY
for the period from 1 January to 31 December 2019

		Supplementary capital				Other capital reserves		Retained earnings			
	Share capital	**Issue of shares as part of conversion of convertible bonds**	**Issue of shares – implementation of the management stock option plan**	**Issue of shares at a premium**	**Distribution of profit**	**Management stock option plan and other share-based payments**	**Measurement of the equity component of bonds**	**Profit (loss) brought forward**	**Net profit/(loss)**	**Treasury shares**	**Total equity**
As at 01.01.2019*	**52,920**	**28,175**	**2,792**	**106,481**	**853,965**	**39,065**	**5,395**	**(38,426)**	**137,544**	-	**1,187,911**
Transfer of profit for 2018	-	-	-	-	174,531	-	-	(36,987)	(137,544)	-	-
Share-based remuneration	34	-	-	-	-	-	-	-	-	-	34
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	(30,159)	(30,159)
Comprehensive income	-	-	-	-	-	-	-	-	113,388	-	113,388
As at 31.12.2019	**52,954**	**28,175**	**2,792**	**106,481**	**1,028,496**	**39,065**	**5,395**	**(75,413)**	**113,388**	**(30,159)**	**1,271,174**
As at 01.01.2018	**52,887**	**28,175**	**2,792**	**106,440**	**749,279**	**38,742**	**5,395**	**1,671**	**104,686**	-	**1,090,067**
Correction of error concerning measurement of subsidiaries as at 01.01.2018	-	-	-	-	-	-	-	(19,431)	(20,666)	-	(40,097)
Correction of error due to issue of shares at a premium	-	-	-	41	-	(41)	-	-	-	-	-
As at 01.01.2018 after adjustment	**52,887**	**28,175**	**2,792**	**106,481**	**749,279**	**38,701**	**5,395**	**(17,760)**	**84,020**	-	**1,049,970**
Transfer of profit for 2017		-	-	-	104,686	-	-	(20,666)	(84,020)	-	-
Share-based remuneration (**Note 22**)	33	-	-	-	-	364	-	-	-	-	397
Comprehensive income	-	-	-	-	-	-	-	-	137,544	-	137,544
As at 31.12.2018*	**52,920**	**28,175**	**2,792**	**106,481**	**853,965**	**39,065**	**5,395**	**(38,426)**	**137,544**	-	**1,187,911**

* Figures for 2018 were restated in connection with the adjustment described in the section Accounting policy – **Adjustment of financial data relating to previous years** on p. 11.

The statement of changes in equity should be read in conjunction with the notes to the financial statements and other explanatory information on pages 7 to 62.

STATEMENT OF CASH FLOWS
for the period from 1 January to 31 December 2019

	For the period: from 01.01.2019 to 31.12.2019 PLN '000	For the period: from 01.01.2018 to 31.12.2018* PLN '000
Cash flows from operating activities		
Net profit for the reporting period	**113,388**	**137,544**
Adjustments for:		
Depreciation of property, plant and equipment	286	170
Revaluation of shares, certificates and other financial instruments	(128,036)	(89,929)
Finance income and costs	11,140	(81,789)
Other adjustments**	839	2,423
Change in provisions	418	(11,678)
Change in short-term and long-term receivables	1,875	21,764
Change in trade and other payables	(745)	(2,107)
Change in deferred tax assets and liabilities	(283)	2,047
Share-based payments programme	-	364
Bond issue costs paid	-	(987)
Expenditure on the acquisition of investment certificates	-	(21,921)
Proceeds from redemption of investment certificates	56,933	24,406
Lease inflows	1,093	-
Income taxes paid	(888)	(2,763)
Net cash from operating activities	**56,020**	**(22,456)**
Cash flows from investing activities		
Dividends received	-	63,416
Proceeds from the sale of non-current assets	284	992
Redemption of participation units in Quercus	-	209
Expenditure on purchase of subsidiaries	-	(1,053)
Expenditure on purchase of non-current assets	-	(374)
Net cash from investing activities	**284**	**63,190**
Cash flows from financing activities		
Expenditure on purchase of treasury shares	(30,159)	-
Implementation of the option plan	34	33
Issue of bonds	-	36,482
Issue of promissory notes	60,000	94,000
Redemption of bonds	(75,150)	(116,000)
Repayment of promissory notes	-	(60,000)
Repayment of leases	(1,162)	-
Interest paid on bonds	(10,418)	(13,112)
Interest paid on promissory notes	-	(164)
interest paid on leases	(151)	-
Net cash from financing activities	**(57,006)**	**(58,761)**
Net increase/(decrease) in cash and cash equivalents	**(702)**	**(18,027)**
Opening balance of cash and cash equivalents	7,203	25,230
Closing balance of cash and cash equivalents	**6,501**	**7,203**

* Figures for 2018 were restated in connection with the adjustment described in the section Accounting policy – **Adjustment of financial data relating to previous years** on p. 11.

**"Other adjustments" comprise mainly income tax paid disclosed in separate line and gains on disposal of non-current assets reported in cash flows from investing activities.

The statement of cash flows should be read in conjunction with the notes to the financial statements and other explanatory information on pages 7 to 62.

NOTES TO THE FINANCIAL STATEMENTS, CONTAINING SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

General information

Pursuant to a decision issued by the District Court for the city of Wrocław-Fabryczna of 21 July 1999, MCI Capital S.A. (hereinafter referred to as the "Company" or "MCI") was entered into the Commercial Register, entry No RHB 8752. Pursuant to a decision issued by the District Court for Wrocław-Fabryczna in Wrocław, 6th Commercial Division of the National Court Register, of 28 March 2001, the Company was entered into the National Court Register, entry No 0000004542. The Company was assigned:

- REGON (Statistical ID No): 932038308;
- NIP (Tax ID No): 899-22-96-521;
- The Company has its registered office in Warsaw, at Plac Europejski 1.
- The duration of the Company is indefinite.

MCI is engaged in direct private equity / venture capital investment activities, investing its assets through 5 investment funds with diversified investment strategies. The funds invest the funds entrusted in investment assets in accordance with their investment strategy. From large buyout and growth investments (MCI.EuroVentures 1.0. and MCI.TechVentures 1.0. subfunds separated within MCI.PrivateVentures FIZ) through investments in small technology start-ups (Helix Ventures FIZ and Internet Ventures FIZ) to debt instruments and real estate (MCI.CreditVentures 2.0 FIZ). Investments in portfolio companies are made for a period of several years, during which the managing entity actively supports the growth of the companies and supervises the implementation of their business strategy, and then looks for opportunities to sell these assets. The most important assets include shares in companies and investment certificates.

The ultimate parent company is MCI Management Sp. z o.o.

Composition of the Company's Management Board:

As at 31 December 2019, the Company's Management Board was composed of:

Tomasz Czechowicz	- President of the Management Board
Ewa Ogryczak	- Vice President of the Management Board
Paweł Kapica	- Board Member

Over the reporting period, the composition of the Company's Management Board did not change.

On 7 February 2020, Mr Paweł Kapica tendered his resignation from the Company's Management Board.

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

Tomasz Czechowicz	- President of the Management Board
Ewa Ogryczak	- Vice President of the Management Board

Basis for preparation of the financial statements

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU IFRSs"). As at the date of authorisation of these financial statements for issue, given the ongoing process of implementing IFRSs in the European Union, the IFRSs applicable to these financial statements did not differ from the EU IFRSs.

Information concerning the preparation of the consolidated financial statements

In accordance with the criteria set out in paragraph 27 of IFRS 10, an entity meets the definition of an investment entity if:

- it obtains funds from one or more investors for the purpose of providing that/those investor(s) with investment management services;
- it commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- it measures and evaluates the performance of substantially all of its investments on a fair value basis.

In accordance with paragraph 32 of IFRS 10, an investment entity does not consolidate subsidiaries, except for subsidiaries that are not investment entities themselves and whose principal activity is to provide services that relate to the investment entity's investment activities.

Furthermore, in accordance with paragraph 18 of IAS 28, if an investment in an associate or joint venture is held directly or indirectly by an entity which is a venture capital organisation, mutual fund, trust fund or a similar entity, such entity may elect to measure its investment at fair value through profit or loss in accordance with IFRS 9. An entity makes such election separately for each associate or joint venture on initial recognition of that associate or joint venture.

In 2019, the Company held investment certificates both directly and through its subsidiary, MCI Fund Management Sp. z o.o. The main goal of MCI in purchasing the funds' investment certificates was to earn benefits by investing in financial assets and earning profit from an increase in the value of net assets of the funds. The company invests funds in order to obtain returns from the increase in the value of investments (investment certificates). The primary activity of the Company is to invest funds to five closed-end investment funds and thus obtain a return on the capital invested. The company, as a public company, has many investors for whom the most important issue is the return on the invested capital over the long term. The Management Board analyses and evaluates the Company's performance through the prism of the increase in the fair value of assets being held, which are investment certificates of closed-end investment funds. The fair value is the best reflection of the value of assets held by the Company.

Therefore, in the opinion of the Management Board, the Company is an investment entity within the meaning of IFRS 10 *Consolidated Financial Statements* (hereinafter "IFRS 10"). The Company does not prepare consolidated financial statements as it has no subsidiaries that are not investment entities themselves and whose principal activity is to provide services that relate to the investment entity's investment activities.

Therefore, these financial statements of MCI Capital S.A. are the only financial statements prepared by MCI Capital S.A.

Date of authorisation of the financial statements for the current financial year

These financial statements were prepared and authorised for issue by the Company's Management Board on 22 April 2020.

Date of authorisation of the financial statements for the previous financial year

The financial statements were authorised by the Company's Management Board on 15 April 2019 and by the General Meeting of Shareholders on 27 June 2019.

Functional currency and presentation currency

Items of the financial statements relating to the Company are measured and presented using the primary currency of the economic environment in which the Company operates (the "functional currency"), which is the Polish zloty. Figures in the financial statements are presented in thousands of Polish zloty, unless stated otherwise.

Going concern assumption

These financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future, i.e. for at least 12 months after the balance sheet date of 31 December 2019. At the date of approving these financial statements, the Company's Management Board was aware of no facts or circumstances that would indicate a threat to the Company's continuing as a going concern in the 12 months after the balance sheet date, as a result of any planned or forced discontinuation or material downsizing of its existing operations, except for negative working capital (i.e. excess of short-term liabilities over current assets), which will be covered mainly by proceeds from redemption of investment certificates held by the Company. The Company finances its operations by, among other means, issuing bonds and other debt instruments, therefore the value of short-term liabilities exceeds the value of current assets, which is a natural situation for the Company and the Company does not identify any threat to its ability to continue as a going concern on this account. The principles of liquidity management in the Company and the Company's current liquidity position taking into account events subsequent to the balance sheet date are described in **Note 36 *"Financial risk management" – liquidity risk"***.

The Company's Management Board notes the increasing uncertainty regarding the effects of the current COVID-19 coronavirus pandemic. The Company's Management Board does not identify any threat to the Company's going concern or current liquidity on this account. For a detailed assessment of the impact of COVID-19 on the Company, see **Note 30 *"Material events subsequent to the balance sheet date"***.

Judgements and estimates

The preparation of the financial statements requires the Management Board of the Company to make judgements, estimates and assumptions that affect the adopted accounting policies and amounts reported in the financial statements.

All judgements, assumptions and estimates which have been made for the purposes of these financial statements are presented in the required disclosures relating to individual items of these financial statements, in the notes to the financial statements, containing significant accounting policies and other explanatory data, which constitute an integral part of the financial statements. Estimates and judgements are verified on an on-going basis. They are based on past experience, including expectations as to future events which seem justified in a given situation and new information.

Below are the key assumptions concerning the future and other basic reasons for uncertainty of estimates as at the balance sheet date.

Judgement used in the assessment of exercise of control or influence over other entities

As at 31 December 2019, the Company held shares in one subsidiary – MCI Fund Management Sp. z o.o. The Company was the sole shareholder of this entity, therefore the Company assessed that all the conditions for recognising that it exercises control over this entity as defined in IFRS 10 are met, i.e. (a) it has power over entity, (b) it is exposed, or has rights, to variable returns from its involvement with the entity, (c) it has the ability to affect those returns through its power over the entity. As disclosed in **Note 30 *"Material events subsequent to the balance sheet date"*** in 2020 the merger of MCI Capital S.A. with MCI Fund Management Sp. z o.o. was entered into the register. Key information about MCI Fund Management Sp. z o.o. is contained in **Note 8 *"Investments in subsidiaries"***.

In addition, the Company holds shares in Private Equity Managers S.A. In view of its shareholding in the company and the associated absence of power over that company, the Company considers that not all the conditions for recognising that it exercises control over the company as defined in IFRS 10 are met and identifies it as an associate. Key information about the investment in Private Equity Managers S.A. is provided in **Note 9 *"Investments in associates"***.

MCI as an investment entity – refraining from preparing consolidated financial statements

In the opinion of the Management Board, the Company is an investment entity within the meaning of IFRS 10. Therefore, the Company does not prepare consolidated financial statements as it has no subsidiaries that are not investment entities themselves and whose principal activity is to provide services that relate to the investment entity's investment activities. MCI is also an investor within the meaning of paragraph 18 of IAS 28. More broadly, this issue is addressed in section ***Information concerning the preparation of the consolidated financial statements*** above.

Fair value of financial instruments

Fair value measurement model and assumptions. Significant risks relate to the fair value of shares in subsidiaries, which are strongly influenced by measurement models used. Key assumptions and judgements are presented in **Note 8, "*Investments in subsidiaries*".**

Share-based payments

Determination of the value of individual share-based schemes is based on estimates of the Company adopted for the fair value measurement of equity instruments granted, including: the actual strike price of shares of MCI Capital S.A. on the grant date, the estimate of historical volatility, risk-free interest rate, the expected dividend yield, the period in which the holder may exercise rights under the scheme and measurement model applied.

Deferred tax assets

The Company recognises deferred tax assets if it is assumed that taxable profit will be generated in the future against which the asset can be utilised. If taxable profit deteriorates in the future, this assumption may prove invalid.

The Company carefully evaluates the nature and extent of the evidence supporting the conclusion that it is probable that future taxable profit will be sufficient to allow for the deduction of unused tax losses, unused tax credits or other deductible temporary differences.

When assessing whether it is probable that future taxable profit will be achieved (probability above 50%), the Company takes into account all available evidence, including supporting evidence that it is probable or not.

Uncertainty related to tax settlements

Regulations on value added tax, corporate income tax, and social security contributions are subject to frequent amendments, with a resulting lack of appropriate points of reference, conflicting interpretations, and scarcity of established precedents to follow. Furthermore, the applicable tax laws lack clarity, which leads to differences in opinions and their diverse interpretations, both between various public authorities and between public authorities and businesses.

Tax settlements and other regulated areas of activity (e.g. customs or foreign exchange control) are subject to inspection by administrative bodies, which are authorised to impose high penalties and fines, and any additional tax liabilities arising from such inspections must be paid with high interest. Consequently, the tax risk in Poland is higher than in countries with more mature tax systems.

The amounts presented and disclosed in the financial statements may therefore change in the future as a result of a final decision by a tax inspection authority.

On 15 July 2016, the Tax Legislation was amended to reflect the provisions of the General Anti-Abuse Rule ("GAAR"). The purpose of GAAR is to prevent the establishment and use of artificial schemes set up to avoid payment of taxes in Poland. GAAR defines tax avoidance as an arrangement the main purpose of which is to obtain a tax advantage that is contrary to the objectives and purpose of the tax legislation. In accordance with GAAR, no tax advantage can be obtained through an arrangement which is abusive. Any arrangements involving:

(i) separation of operations without a sufficient rationale,
(ii) engaging intermediaries where no business or economic rationale exists,
(iii) any offsetting elements,
(iv) any arrangements that operate in a similar way, may be viewed as an indication of the existence of an abusive arrangement subject to GAAR. The new regulations will require much more judgement to be exercised when assessing the tax consequences of particular transactions.

The GAAR clause should be applied with respect to arrangements made after its effective date as well as arrangements that were made before its effective date but benefits of the tax advantage obtained through the arrangement continued or still continue after that date. Implementation of the above regulations will provide Polish tax inspection authorities with grounds to challenge certain legal arrangements made by taxpayers, including restructuring or reorganisation of corporate groups.

The Company recognises and measures current and deferred tax assets and liabilities in compliance with the requirements of IAS 12 Income Taxes, based on taxable income (tax loss), tax base, unused tax losses, unused tax credits and tax rates, taking into consideration the assessed uncertainty related to tax settlements.

When there is uncertainty as to whether and to what extent the tax authorities will accept individual tax settlements of transactions, the Company recognises these settlements taking into account the uncertainty assessment.

Accounting policy

Accounting policies applied in these financial statements are the same as those applied by the Company in the financial statements as at and for the year ended 31 December 2018, except for changes resulting from the adoption of new IFRSs described in **Note 33 *"Significant accounting policies"***

Adjustment of financial data relating to previous years

Adjustment of an error concerning the measurement of shares in MCI Fund Management Sp. z o.o.

In the 2nd quarter of 2019, the error concerning the measurement of the carrying amount of shares in MCI Fund Management Sp. z o.o., amounting to PLN 71,735 thousand, was adjusted. The adjustment resulted from a change in the measurement of shares as a result of recognition of deferred income tax liability related to future gains/losses on redemption of investment certificates in accordance with their fair value measurement method.

The amount of the adjustment as at 1 January 2018 was recognised as an adjustment to the opening balance. The equity was adjusted in the item "Profit (loss) brought forward", measurement of investments in subsidiaries as at 1 January 2018 and 31 December 2018 and the profit or loss for the period from 1 January 2018 to 31 December 2018. A summary of changes in the financial statements for the periods listed above is provided in the tables presented later in this section of the financial statements.

Adjustment of measurement of CIT receivables for 2011 (for JTT)

In the 2nd quarter of 2019, the measurement of CIT receivables for 2011 was adjusted (for JTT). The Company reviewed the collected decisions of tax authorities and the positions of tax advisors. Taking into consideration:

- the fact that this is an amount receivable whose certainty/recoverability has not been confirmed in any way by the tax authorities,
- an early stage of the case as at 31 December 2018, and
- taking into account the not quite favourable developments for the Company after the date of the initial recognition of the amount receivable, in particular the correspondence with the tax authorities on this matter, suggesting that the case concerning overpayment was time-barred,

The Company came to the conclusion that as at 31 December 2018 there were no sufficient grounds to consider the income tax overpayment highly probable and to classify it as an amount receivable from the Tax Office. The Company continues to uphold its position on the legitimacy of a refund of CIT overpayment for 2011, especially in the context of the fact that in September 2018 the Company returned to the State Treasury the amount of compensation (PLN 42.8 million), on which it had previously paid the tax claimed today, but at the same time is aware that it will take time to recover this amount. Therefore, the Company decided that it should not have recognized the overpayment as an amount receivable as at 31 December 2018 and adjusted the amount receivable retrospectively, i.e. as at 31 December 2018.

For details, see **Note 25 *"Contingent assets and liabilities*"**, section entitled "Corporate income tax – JTT compensation".

Adjusted items of the statement of financial position

	As at 31.12.2018 PLN '000	As at 01.01.2018 PLN '000
Investments in subsidiaries before adjustment	1,335,767	1,207,174
Share measurement adjustment	(71,735)	(40,097)
Investments in subsidiaries after adjustment	**1,264,032**	**1,167,077**
Non-current assets before adjustment	1,429,846	1,311,549
Share measurement adjustment	(71,735)	(40,097)
Non-current assets after adjustment	**1,358,111**	**1,271,452**
Short-term receivables	8,292	24,720
Receivables measurement adjustment	(5,349)	-
Adjusted short-term receivables	**2,943**	**24,720**
Current assets before adjustment	15,495	49,950
Other receivables measurement adjustment	(5,349)	-
Current assets after adjustment	**10,146**	**49,950**
Total assets before adjustment	1,445,341	1,361,499
Other receivables measurement adjustment	(5,349)	-
Share measurement adjustment	(71,735)	(40,097)
Total assets after adjustment	**1,368,257**	**1,321,402**
Profit (loss) brought forward before adjustment	1,671	1,671
Share measurement adjustment	(40,097)	(19,431)
Profit (loss) brought forward after adjustment	**(38,426)**	**(17,760)**
Net profit before adjustment	174,531	104,686
Other receivables measurement adjustment	(5,349)	-
Share measurement adjustment	(31,638)	(20,666)
Net profit after adjustment	**137,544**	**84,020**
Equity before adjustment	1,264,995	1,090,067
Other receivables measurement adjustment	(5,349)	-
Share measurement adjustment	(71,735)	(40,097)
Equity after adjustment	**1,187,911**	**1,049,970**
Equity per share before adjustment (PLN/share)	23.90	20.61
Measurement adjustment (PLN/share)	(1.44)	(0.76)
Equity per share after adjustment (PLN/share)	**22.46**	**19.85**
Total equity and liabilities before adjustment	1,445,341	1,361,499
Other receivables measurement adjustment	(5,349)	-
Share measurement adjustment	(71,735)	(40,097)
Total equity and liabilities after adjustment	**1,368,257**	**1,321,402**

Adjusted items of the statement of profit or loss and other comprehensive income

	For the period: from 01.01.2018 to 31.12.2018 PLN '000
Revaluation of shares	121,638
Share measurement adjustment	(31,638)
Revaluation of shares	**90,000**
Gains (losses) on investments before adjustment	219,178
Share measurement adjustment	(31,638)
Gains (losses) on investments after adjustment	**187,540**
Operating profit (loss) before adjustment	183,890
Share measurement adjustment	(31,638)
Operating profit (loss) after adjustment	**152,252**
Profit (loss) before tax before adjustment	171,390
Share measurement adjustment	(31,638)
Profit (loss) before tax after adjustment	**139,752**
Income tax before adjustment	3,141
Other receivables measurement adjustment	(5,349)
Income tax after adjustment	**(2,208)**
Net profit (loss) before adjustment	174,531
Other receivables measurement adjustment	(5,349)
Share measurement adjustment	(31,638)
Net profit (loss) after adjustment	**137,544**

Adjusted items of the statement of cash flows

	For the period: from 01.01.2018 to 31.12.2018 PLN '000
Net profit for the reporting period before adjustment	174,531
Other receivables measurement adjustment	(5,349)
Share measurement adjustment	(31,638)
Net profit for the reporting period after adjustment	**137,544**
Change in short-term and long-term receivables before adjustment	16,415
Other long-term and short-term receivables measurement adjustment	5,349
Change in short-term and long-term receivables after adjustment	**21,764**
Revaluation of shares, certificates and other financial instruments before adjustment	(121,567)
Share measurement adjustment	31,638
Revaluation of shares, certificates and other financial instruments after adjustment	**(89,929)**

Adjustment of error concerning the share premium

In 2019, the presentation of share premium, concerning the acquisition of 285,750 shares by Mr Tomasz Czechowicz on 26 September 2014, was adjusted. Settlement of the share premium was incorrectly recorded in the Supplementary capital and Reserve capital in 2014.

The amount of the adjustment as at 1 January 2018 was recognised as an adjustment to the opening balance. The presentation of the equity as at 1 January 2018 and 31 December 2018 was adjusted, without any effect on total Equity. The tables below present a summary of changes in the financial statements for the periods listed above.

Adjusted items of the statement of financial position

	As at 31.12.2018 PLN '000	**As at 01.01.2018 PLN '000**
Supplementary capital before adjustment	991,372	886,687
Adjustment amount	41	41
Supplementary capital after adjustment	**991,413**	**886,728**
Other capital reserves	44,501	44,137
Adjustment amount	(41)	(41)
Other capital reserves after adjustment	**44,460**	**44,096**

Adjusted earnings per share

	As at 31.12.2018 PLN '000
Earnings per share before adjustment	3.30
Adjustment amount	(0.70)
Earnings per share after adjustment	**2.60**

1. Gain on investments

The item of gains and losses from changes in fair value includes revaluation of financial assets:
- shares in subsidiaries, associates and other entities,
- investment certificates of closed-end investment funds ("FIZ") held by MCI,
- other financial instruments,
- other gain on investments.

1a. Revaluation of shares

	For the period: from 01.01.2019 to 31.12.2019 PLN '000	For the period: from 01.01.2018 to 31.12.2018* PLN '000
Revaluation of subsidiaries		
MCI Fund Management Sp. z o.o.**	136,553	96,958
	136,553	**96,958**
Revaluation of associates		
Private Equity Managers S.A.	(5,458)	(6,958)
	(5,458)	**(6,958)**
Revaluation of shares, total	**131,095**	**90,000**

**Restated data*

On 21 February 2020, a merger of MCI Capital S.A. and MCI Fund Management Sp. z o.o. was entered into the National Court Register – the merger is described in more detail in **Note 29 *"Significant events in 2019"*. The value of assets of MCI Fund Management Sp. z o.o. in 96% consisted of value of investment certificates of MCI.TechVentures 1.0. and MCI.EuroVentures 1.0. subfunds, separated from MCI.PrivateVentures FIZ. This means that the revaluation of shares in MCI Fund Management Sp. z o.o. indirectly resulted from the gain or loss on investment certificates of the aforementioned subfunds in the amount of PLN 164,120 thousand (gain) (of which PLN 167,419 thousand is an unrealised gain (revaluation of investment certificates) and PLN 3,295 thousand is a realised loss) and increase in deferred tax liabilities on temporary differences arising on the valuation of investment certificates by PLN 27,567 thousand.

In the reporting period, the subsidiary did not provide investment management services or any other services related to MCI's investment activities.

Information on the measurement of subsidiaries and associates is presented in **Note 8 "*Investments in subsidiaries*"** and in **Note 9 "*Investments in associates*"**.

1b. Gain or loss on investment certificates

	For the period: from 01.01.2019 to 31.12.2019 PLN '000	For the period: from 01.01.2018 to 31.12.2018 PLN '000
Investment certificates of Helix Ventures Partners FIZ	-	(3,666)
Investment certificates of Internet Ventures FIZ*	(3,068)	(1,164)
Investment certificates of MCI.CreditVentures FIZ 2.0	-	3,970
Revaluation of investment certificates (unrealised gain or loss)	**(3,068)**	**(860)**

*The loss from revaluation of investment certificates of Internet Ventures FIZ in 2019 resulted mainly from changes the fund's net assets on account of a loss on operations in the amount of PLN 6.8 million, due to a loss on sale of investments in the amount of PLN 2.6 million, a loss on net investments in the amount of PLN 2.5 million and a decrease in unrealized loss on valuation of investments in the amount of PLN 1.7 million.

The unrealised net gain or loss is determined as the difference between the valuation of certificates held as at the balance sheet date and the valuation of certificates held as at the previous balance sheet date (revaluation), taking into account changes in the number of certificates held (redemption, acquisition of new issues).

	For the period: from 01.01.2019 to 31.12.2019 PLN '000	For the period: from 01.01.2018 to 31.12.2018 PLN '000
Investment certificates of Internet Ventures FIZ	-	(195)
Investment certificates of MCI.EuroVentures 1.0. FIZ	-	984
Investment certificates of MCI.CreditVentures FIZ 2.0	1,809	-
Realised net gain or loss on redemption of investment certificates	**1,809**	**789**
Gain or loss on investment certificates	**(1,259)**	**(71)**

For information on the valuation of the above items, see **Note 7 "*Investment certificates*"**.

1c. Revaluation of other financial instruments

	For the period: from 01.01.2019 to 31.12.2019 PLN '000	For the period: from 01.01.2018 to 31.12.2018 PLN '000
Value of preferred distribution of funds from Internet Ventures FIZ	2,236	-
Issued return rate guarantee for investment in MCI.TechVentures 1.0. subfund	(4,036)	-
	(1,800)	**-**

1d. Carrying amount of other financial instruments

	As at 31.12.2019 PLN '000	As at 31.12.2018 PLN '000
Value of preferred distribution of funds from Internet Ventures FIZ*	2,236	-
Value of preferred distribution from Helix Ventures Partners FIZ fund*	200	200
Issued return rate guarantee for investment in MCI.TechVentures 1.0. subfund **	(4,036)	-
	(1,600)	**200**

*The financial instrument (a mechanism for preferred distribution of funds held in investments made by the Helix Ventures Partners FIZ and Internet Ventures FIZ funds) is measured by the Company. Following a significant decline in the net asset value of Internet Ventures FIZ, in 2019, the Company recognised an increase in the value of preferred distribution from this fund in the amount to which the Company has priority over the other participant in the return/payment of funds.

**On 28 June 2019, the Company concluded a guarantee agreement with participants of the MCI. TechVentures 1.0 subfund separated within MCI.PrivateVentures Closed-end Investment Fund with regard to the guarantee of the rate of return on investment in series S2 investment certificates. The Company guarantees the subfund participants a rate of return on this investment of 5%. The valuation of the return rate guarantee for investment in MCI.TechVentures 1.0. subfund as at 31 December 2019 in the amount of PLN 4,036 thousand was based on the expected valuation in accordance with the guaranteed rate of return set forth in the agreement. The guarantee will be exercised upon redemption or resale of series S2 investment certificates issued by the MCI.TechVentures 1.0. subfund by current participants.

2. Operating expenses

	For the period: from 01.01.2019 to 31.12.2019 PLN '000	For the period: from 01.01.2018 to 31.12.2018 PLN '000
Depreciation of property, plant and equipment and amortisation of intangible assets	(286)	(170)
Raw materials and consumables used	(46)	(54)
Third-party services*	(1,816)	(2,166)
Taxes and charges	(343)	(44)
Remuneration	(1,765)	(1,266)
Employee benefits	(29)	(14)
Social security	(80)	(32)
Other expenses	(212)	(184)
	(4,577)	**(3,930)**

*Costs of third-party services include mainly costs of legal advisory, audit and accounting services.

3. Other operating income and expenses

Other operating revenue

	For the period: from 01.01.2019 to 31.12.2019 PLN '000	For the period: from 01.01.2018 to 31.12.2018 PLN '000
Reversal of provision for legal costs of the JTT case*	-	11,466
Other operating income	240	162
	240	**11,628**

Other operating expenses

	For the period: from 01.01.2019 to 31.12.2019 PLN '000	For the period: from 01.01.2018 to 31.12.2018 PLN '000
Return of compensation to the State Treasury in connection with the JTT case*	-	(42,764)
Write-off of receivables	-	(83)
Other operating expenses	(122)	(139)
	(122)	**(42,986)**

*For a detailed description of the dispute with the State Treasury, see **Note 25 "Contingent assets and liabilities"**.

4. Finance income and costs

Finance income

	For the period: from 01.01.2019 to 31.12.2019 PLN '000	For the period: from 01.01.2018 to 31.12.2018 PLN '000
Interest income calculated using the effective interest rate method, including:	18	112
Interest on short-term bank deposits	18	112
Fee and commission income – guarantees*	2,810	4,020
Income from revaluation or redemption of participation units	-	205
Other finance income	65	12
	2,893	**4,349**

*MCI Capital S.A. provides services related to investments which consist in financial support to entities in which an investment in the form of a warranty and guarantee was made to maximise returns from investing in investments. This activity does not constitute a separate significant activity or a separate significant source of income for the investment entity.

Finance costs

	For the period: from 01.01.2019 to 31.12.2019 PLN '000	For the period: from 01.01.2018 to 31.12.2018 PLN '000
Interest expense on:		
Promissory notes issued	(1,549)	(359)
Bonds issued	(9,440)	(15,817)
Interest paid to the state budget or other interest	(1)	(4)
Net foreign exchange gains and losses	-	-
Other*	(580)	(669)
	(11,570)	**(16,849)**

*This item includes, among other, the consideration for the subsidiary of MCI Capital S.A., i.e. MCI Fund Management Sp. z o.o. for making available the investment certificates of MCI.TechVentures 1.0 and MCI.EuroVentures 1.0 subfunds, which constitute a collateral for bonds issued by MCI Capital S.A.

5. Income tax

Income tax recognised in the statement of comprehensive income

	For the period: from 01.01.2019 to 31.12.2019 PLN '000	For the period: from 01.01.2018 to 31.12.2018* PLN '000
Income tax – current portion	(1,795)	(163)
Income tax – deferred portion	283	(2,046)
	(1,512)	**(2,208)**

** Restated data*

Reconciliation of income tax

	For the period: from 01.01.2019 to 31.12.2019 PLN '000	For the period: from 01.01.2018 to 31.12.2018* PLN '000
Profit before tax	**114,900**	**139,752**
Corporate income tax at the statutory tax rate (19%)	(21,831)	(26,553)
Effect of permanent differences between profit before tax and taxable income, including:	20,319	24,345
Non-taxable income	**25,945**	**37,008**
- revaluation of shares and certificates	25,945	18,423
- dividends received	-	18,546
- income from providing a logo	-	39
Non-tax-deductible expenses	**(1,818)**	**(9,618)**
- revaluation of shares and certificates	(1,037)	(1,322)
- impairment losses	-	(16)

- incentive scheme and management stock options	-	(69)
- compensation to be returned to the State Treasury in accordance with the judgement dated 18 September 2018	-	(8,125)
- costs of debt financing	(420)	-
- other	(360)	(86)
Other	**(3,809)**	**(3,045)**
- income tax of MCI Fund Management Sp. z o.o. settled in the MCI Tax Group	(3,548)	(1,442)
- accounting for income from providing a logo	-	-
- reversal of deferred tax on unused tax losses	(911)	-
- capital losses settled within the Tax Group	-	-
- loss on capital gains of MCI Capital S.A.	651	(1,603)
	(1,512)	**(2,208)**
Effective tax rate	**1.3%**	**1.6%**

* *Restated data*

MCI Capital S.A. was a parent company in a Tax Group together with MCI Fund Management Spółka z o.o., established in 2016. The fiscal year of the Tax Group run from 1 July to 30 June. The agreement was signed for three consecutive fiscal years and expired on 30 June 2019.

As a result, the Company recognised deferred tax assets for tax losses incurred prior to the Tax Group (from 2014 to June 2016) due to the fact that they will be settled later. At the same time, the Company confirms that it is able to generate taxable income in the future allowing it to settle its tax losses.

Tax losses

Incurred in (year)	Loss amount PLN '000	Amount utilised PLN '000	Amount to be utilised PLN '000	To be utilised until (year)
2013	9,590	4,795	4,795	31.12.2020
2014	3,528	1,764	1,764	31.12.2021
2015	9,128	1,113	8,015	31.12.2022
H1 2016*	2,890	-	2,890	31.12.2023
	25,136	**7,672**	**17,464**	

*Before establishment of the Tax Group on 1 July 2016

As at 31 December 2019, the Company had unused tax losses incurred in 2013 in the amount of PLN 4,795 thousand for which no deferred tax assets were recognised. The Company plans to settle the deferred tax asset recognised for tax losses with taxable income to be generated on redemption of investment certificates in subsequent fiscal years.

Deferred income tax

	As at 31.12.2019 PLN '000	As at 31.12.2018 PLN '000
Deferred tax assets:		
To be realised after 12 months	2,407	5,000
To be realised within 12 months	3,559	2,756
	5,966	**7,756**
Deferred tax liabilities:		
To be settled after 12 months	-	-
To be settled within 12 months	596	2,667
	596	**2,667**

In the statement of financial position, the Company offsets deferred tax assets and liabilities by presenting them in a single item.

Deferred tax assets

	Deductible tax losses PLN '000	Other assets* PLN '000	Total PLN '000
As at 1 January 2018	**5,224**	**3,639**	**8,863**
Effect on profit/loss	-	(1,107)	(1,107)
Effect on equity	-	-	-
As at 31 December 2018	**5,224**	**2,532**	**7,756**
Effect on profit/loss	(2,817)	1,027	(1,790)
Effect on equity	-	-	-
As at 31 December 2019	**2,407**	**3,559**	**5,966**

*This item relates mainly to an impairment loss on investment certificates (PLN 2,317 thousand), interest accrued on promissory notes (PLN 294 thousand) and valuation of other financial instruments (PLN 766 thousand).

Deferred tax liabilities

	Other liabilities* PLN '000	Total PLN '000
As at 1 January 2018	**1,729**	**1,729**
Effect on profit/loss	938	938
Effect on equity	-	-
As at 31 December 2018	**2,667**	**2,667**
Effect on profit/loss	(2,071)	(2,071)
Effect on equity	-	-
As at 31 December 2019	**596**	**596**

*This item is mainly related to the valuation of preferred distribution from Internet Ventures FIZ and Helix Ventures Partners FIZ funds (PLN 463 thousand) and provisions for warranties issued (PLN 91 thousand)

Deferred tax assets, net

As at 31 December 2019	**5,370**
As at 31 December 2018	**5,087**

6. Earnings per share

Basic earnings per share

	For the period: from 01.01.2019 to 31.12.2019 PLN '000	For the period: from 01.01.2018 to 31.12.2018 PLN '000
Net profit attributable to shareholders of the Company	113,388	137,544
Weighted average number of ordinary shares (in thousands)	51,680	52,895
Basic earnings per share (PLN per share)	**2.19**	**2.60**

Diluted earnings per share

	For the period: from 01.01.2019 to 31.12.2019 PLN '000	For the period: from 01.01.2018 to 31.12.2018 PLN '000
Profit attributable to shareholders of the Company	113,388	137,544
Profit applied in the determination of diluted earnings per share	113,388	137,544
Weighted average number of ordinary shares (in thousands)	51,680	52,895
Adjustments for:		
remuneration scheme based on issue of shares (in thousands)	-	33
Weighted average number of ordinary shares for the purposes of diluted earnings per share (in thousands)	51,680	52,928
Diluted earnings per share (PLN per share)	**2.19**	**2.60**

7. Investment certificates

	As at 31.12.2019 PLN '000	As at 31.12.2018 PLN '000
Investment certificates of Internet Ventures FIZ	20,251	23,319
Investment certificates of MCI.CreditVentures FIZ 2.0	-	55,124
	20,251	**78,443**

Valuation of investment certificates

Investment certificates are valued on a quarterly basis, based on the fair value measurement of investments in portfolio companies and other investments held by these funds. Revaluation of certificates to their fair value from quarterly valuations is recognised in profit or loss of MCI at the end of each quarter.

8. Investments in subsidiaries

	As at 31.12.2019 PLN '000	As at 31.12.2018* PLN '000
MCI Fund Management Sp. z o. o. **	1,400,585	1,264,032
	1,400,585	**1,264,032**

** Restated data*

** In the 2nd quarter of 2019, the carrying amount of shares in MCI Fund Management Sp. z o.o. reported as the opening balance, amounting to PLN 71,735 thousand, was adjusted. The adjustment resulted from the recognition of deferred income tax liability related to future gains/losses on redemption of investment certificates in accordance with their fair value measurement method. The amount of the adjustment as at 1 January 2018 was recognised in equity, under "Profit (loss) brought forward". As at 31 December 2019, the amount of deferred income tax liability on temporary differences arising on the valuation of investment certificates of MCI.PrivateVentures FIZ amounts to PLN 109,756 thousand and decreases the value of net assets per share in MCI Capital S.A. by PLN 2.07.

Characteristics of a subsidiary

- **MCI Fund Management Sp. z o. o.**

A company with its registered office in Poland, holding certificates of (indirect subsidiary):

- MCI.TechVentures 1.0 Subfund separated within the MCI.PrivateVentures Closed-End Investment Fund,
- MCI.EuroVentures 1.0 Subfund separated within the MCI.PrivateVentures Closed-End Investment Fund.

MCI hold directly 100% of shares in MCI Fund Management Sp. z o.o.

On 21 February 2020, the merger of MCI Fund Management Sp. z o.o. with MCI Capital S.A. was entered into the National Court Register. MCI Fund Management Sp. z o.o. was the acquiree, and MCI Capital S.A. was the acquirer.

Measurement of shares in subsidiaries

Shares in MCI Fund Management Sp. z o.o. are carried at fair value based on the adjusted net asset value as at the balance sheet date. In the Company's opinion, the adjusted net asset value is the best indication of the fair value of the investment in the subsidiary, as defined in IFRS 13, as it comprises mainly:
- value of investment certificates of closed-end investment funds (investment certificates are measured at fair value based on reporting or official valuations of investment funds),
- the valuation of other financial assets of MCI Fund Management Sp. z o.o. that are subject to impairment testing as at each balance sheet date and are subject to revaluation to their recoverable amount, i.e. the higher of the net realisable value or value in use,
- deferred tax liabilities recognised primarily on temporary differences arising on investment certificates which, upon redemption of investment certificates in the future, will be converted into current tax liabilities.

The difference between the measurement of the subsidiary (PLN 1,400,585 thousand) and the value of investment certificates held by the subsidiary (PLN 1,488,358 thousand) is affected primarily by:

- Net balance of trade and other settlements and cash in the amount of PLN 1,639 thousand
- Balance of short-term financial instruments (receivables) amounting to PLN 20,549 thousand
- Deferred tax liabilities in the amount of PLN 109,961 thousand, including on temporary differences arising on investment certificates in the amount of PLN 109,756 thousand.

The fair value of investment certificates in MCI Fund Management Sp. z o.o. is measured based on published financial statements of investment funds on the basis of reporting valuations or on the basis of official valuations of investment funds (where no financial statements of the funds are published). The measurements of the above funds are carried out on a quarterly basis. The measurements are approved of by the Management Board of MCI Capital TFI S.A.

Below is a reconciliation of the value of investment certificates held by the Company through subsidiaries and investment certificates held by the Company directly with the value of these subsidiaries as at 31 December 2019 and 31 December 2018, and investment certificates in the amount presented in the Company's statement of financial position.

Reconciliation of investment certificates held by MCI and assets value of subsidiaries and investment certificates presented in the statement of financial position of MCI as at 31 December 2019:

Fund	% held	NAV as at 31.12.2019 attributable to MCI Group*	NAV as at 31.12.2019	NAV as at 31.12.2018	Change in NAV
MCI.TechVentures 1.0.	43.70%	300,505	687,639	817,522	(129,883)
MCI.EuroVentures 1.0.	99.12%	1,187,852	1,198,426	1,022,451	175,975
MCI.CreditVentures 2.0 FIZ	0.00%	-	264,658	204,217	60,441
Internet Ventures FIZ	44.39%	20,251	45,734	52,530	(6,796)
Helix Ventures Partners FIZ	45.28%	5,061	11,177	10,279	899
Total assets of FIZ		**1,513,669**	**2,207,635**	**2,106,999**	**100,636**

Fund	(a) New issues	(b) Redemptions	(c) Income distribution	(d) Result of operations	Total (a+b+c+d)
MCI.TechVentures 1.0.	40,000	(88,079)	-	(81,804)	(129,883)
MCI.EuroVentures 1.0.	-	(30,414)	-	206,389	175,975
MCI.CreditVentures 2.0 FIZ	151,200	(97,400)	(1,600)	8,241	60,441
Internet Ventures FIZ	-	-	-	(6,796)	(6,796)
Helix Ventures Partners FIZ	-	-	-	899	899
Total assets of FIZ	**191,200**	**(215,893)**	**(1,600)**	**126,929**	**100,636**

Investment certificates held by MCI Capital S.A. and MCI Fund Management Sp. z o.o.	1,513,669
Net liabilities of MCI Fund Management Sp. z o.o.	(87,773)
Adjustment of value of investment certificates of Helix Ventures Partners FIZ in accordance with the agreement with the other participant in the Fund**	(5,060)
Investments in subsidiaries and investment certificates presented in the statement of financial position of MCI (Notes 7 and 8)	**1,420,836**

*MCI Group is composed of MCI Capital S.A and MCI Fund Management Sp. z o.o.
*MCI Capital is a party to an agreement regulating the distribution of funds invested in Helix Ventures Partners FIZ fund, which determine the priority of return. The Company has already recovered most of the funds invested in the fund (the Company has a priority of return / distribution of funds in the amount of PLN 200 thousand, as described in detail in **Note 1d *"Carrying amount of other financial instruments"***). At the current level of valuation of the fund's assets, the remaining distribution of funds from the fund will go to the other participant, i.e. the National Capital Fund (Krajowy Fundusz Kapitałowy, "KFK"). Therefore, the Company decided to adjust the valuation of investment certificates issued by Helix Ventures Partners FIZ. As at 31 December 2019, the instrument is valued at PLN 200 thousand (the remaining amount due to the Company, guaranteed under the agreement with KFK).

Reconciliation of investment certificates held by MCI and assets value of subsidiaries and investment certificates presented in the statement of financial position of MCI as at 31 December 2018:

Fund	% held	NAV as at 31.12.2018 attributable to MCI Group*	NAV as at 31.12.2018	NAV as at 31.12.2017	Change in NAV
MCI.TechVentures 1.0.	51.60%	421,879	817,522	864,301	(46,779)
MCI.EuroVentures 1.0.	96.22%	983,768	1,022,451	842,271	180,180
MCI.CreditVentures 2.0 FIZ	26.99%	55,124	204,217	201,559	2,658
Internet Ventures FIZ	44.39%	23,319	52,530	55,452	(2,922)
Helix Ventures Partners FIZ	45.28%	4,654	10,279	8,100	2,179
Total assets of FIZ		**1,488,744**	**2,106,999**	**1,971,683**	**135,316**

Fund	(a) New issues	(b) Redemptions	(c) Income distribution	(d) Result of operations	Total (a+b+c+d)
MCI.TechVentures 1.0.	-	(92,652)	-	45,873	(46,779)
MCI.EuroVentures 1.0.	39,596	(82,101)	-	222,685	180,180
MCI.CreditVentures 2.0 FIZ	16,271	(28,672)	(266)	15,325	2,658
Internet Ventures FIZ	2,842	(2,921)	-	(2,843)	(2,922)
Helix Ventures Partners FIZ	-	-	-	2,179	2,179
Total assets of FIZ	**58,709**	**(206,346)**	**(266)**	**283,219**	**135,316**

Investment certificates held by MCI Capital S.A. and MCI Fund Management Sp. z o.o.	1,488,744
Net liabilities of MCI Fund Management Sp. z o.o.	(141,615)
Adjustment of value of investment certificates of Helix Ventures Partners FIZ in accordance with the agreement with the other participant in the Fund	(4,654)
Investments in subsidiaries and investment certificates presented in the statement of financial position of MCI (Notes 7 and 8)	**1,342,475**

*MCI Group is composed of MCI Capital S.A and MCI Fund Management Sp. z o.o.

9. Investments in associates

	As at 31.12.2019 PLN '000	As at 31.12.2018 PLN '000
Private Equity Managers S.A.	3,715	9,173
	3,715	**9,173**

Measurement of shares the associate

	As at 31.12.2019	As at 31.12.2018
Number of shares in Private Equity Managers S.A. held by MCI Capital S.A.	379,043	379,043
Share price (PLN/share)	9.80	24.20
Value of investments	**3,715**	**9,173**

As at 31 December 2019, the Company held directly 11.07% of shares in Private Equity Managers S.A. ("PEM"). PEM is the parent company of the Private Equity Managers S.A. Capital Group, which focuses on managing assets of MCI funds (*private equity, venture capital and mezzanine debt*). It is treated as an associate in view of the Company's shareholding in PEM and personal links.
The Company's shares have been listed on the Warsaw Stock Exchange since 9 April 2015. Shares in Private Equity Managers S.A. were priced at PLN 9.80 per share, which was the closing price of PEM shares at the session of the Warsaw Stock Exchange on 31 December 2019, and the change of their value was taken to profit or loss. As at 31 December 2018, PEM's shares were priced at PLN 24.20 per share.

10. Receivables

10a. Short-term receivables

	As at 31.12.2019 PLN '000	As at 31.12.2018* PLN '000
Trade receivables	1	3
Receivables from related entities**	656	1,276
Tax receivables/receivables from the state budget	261	1,231
Prepayments and accrued income	118	421
Other receivables	3	12
	1,039	**2,943**

* *Restated data*
** Receivables from related entities are related mainly to warranties and financial guarantees granted, as well as sublease of space and re-invoicing of telephone and taxi costs.

Due to the short-term nature of the above receivables, their carrying amount is the best approximation of their fair value.

Receivables from related entities

	As at 31.12.2019 PLN '000	As at 31.12.2018 PLN '000
MCI.PrivateVentures FIZ	5	612
MCI.CreditVentures 2.0 FIZ	4	77
Private Equity Managers S.A.	106	90
MCI Capital TFI S.A.	14	23
PEM Asset Management Sp. z o.o.	42	27
MCI Venture Projects Sp. z o.o. VI SKA	361	327
AAW X Sp. z o.o.	92	96
Other	32	24
	656	**1,276**

10b. Lease receivables

	As at 31.12.2019 PLN '000	As at 31.12.2018 PLN '000
Private Equity Managers S.A.	1,558	-
MCI Capital TFI S.A.	129	-
PEM Asset Management Sp. z o.o.	129	-
Other	95	-
	1,911	**-**
Long-term portion:	*819*	-
Short-term portion:	*1,092*	-

Lease receivables as at 31 December 2019 result from the implementation of the new IFRS 16 Leases. MCI is a party to agreements on sublease of office space with related entities. In the light of the new standard, sublease agreements meet the criteria for classification as leases in which the Company is the lessor. The Company applied the standard using a modified retrospective approach, i.e. without restatement of comparative data.

10c. Long-term receivables

Long-term receivables of PLN 454 thousand as at 31 December 2019 comprise guarantee deposit receivable that the Company paid to the lessor in connection with the lease of space in accordance with the terms of the lease. The guarantee deposit will remain on the lessor's account throughout the lease term plus three months.

11. Cash and cash equivalents

As at the balance sheet date, the balance of cash and cash equivalents in the amount of PLN 6,501 thousand comprised funds held on the bank account and bank deposits.

As at 31 December 2018, the balance of cash and cash equivalents amounted to PLN 7,203 thousand.

12. Equity

Share capital

	As at 31.12.2019	As at 31.12.2018
Share capital issued and paid (PLN '000)	52,954	52,920
Number of shares*	52,953,560	52,920,078
Nominal value per share (PLN)	1.00	1.00
Nominal value of all shares (PLN '000)	**52,954**	**52,920**

* The total number of shares includes 3,000,000 purchased treasury shares which were not cancelled as at 31 December 2019.

Supplementary capital

	As at 31.12.2019 PLN '000	As at 31.12.2018* PLN '000
Opening balance	**991,413**	**886,727**
Transfer of profit/(loss) from previous period to statutory reserve funds	174,531	104,686
Closing balance	**1,165,944**	**991,413**

* *Restated data*

Treasury shares

	As at 31.12.2019 PLN '000	As at 31.12.2018 PLN '000
Opening balance	**-**	**-**
Purchase of treasury shares	(30,159)	-
Cancellation of treasury shares	-	-
Closing balance	**(30,159)**	**-**

On 2 August 2019, MCI Capital S.A. purchased 3,000,000 treasury shares at a price of PLN 10.00 each, i.e. a total price of PLN 30,000 thousand.
In addition, the Company incurred acquisition costs related to the repurchase of treasury shares in the total amount of PLN 159 thousand. The shares represent 5.67% of the share capital. On 28 November 2019, the Extraordinary General Meeting of the Company resolved to reduce the Company's share capital from PLN 52,953,560.00 to PLN 49,953,560.00 through cancellation of a total of 3,000,000 bearer shares with a nominal value of PLN 1.00 each, in a book-entry form, to which the Central Securities Depository of Poland assigned ISIN code PLMCIMG00012. The share capital reduction was entered in the National Court Register on 21 February 2020.

13. Shareholding structure

Major shareholders of the Company as at 31 December 2019

	Ownership interest		Share in total voting rights at GM	
	Number of shares	**Ownership interest**	**Number of voting rights at GM**	**Share in total voting rights at GM**
Tomasz Czechowicz	412,446	0.78%	412,446	0.78%
MCI Management Sp. z o.o.*	37,570,724	70.95%	37,570,724	70.95%
Other	14,970,390	28.27%	14,970,390	28.27%
	52,953,560	**100.00%**	**52,953,560**	**100.00%**

*Company controlled by Tomasz Czechowicz.

Major shareholders of the Company as at 31 December 2018

	Ownership interest		Share in total voting rights at GM	
	Number of shares	**Ownership interest**	**Number of voting rights at GM**	**Share in total voting rights at GM**
Tomasz Czechowicz	378,964	0.72%	378,964	0.72%
MCI Management Sp. z o.o.*	37,570,724	71.00%	37,570,724	71.00%
Other	14,970,390	28.29%	14,970,390	28.29%
	52,920,078	**100.00%**	**52,920,078**	**100.00%**

*Company controlled by Tomasz Czechowicz.

14. Liabilities on account of bonds

	As at 31.12.2019 PLN '000	As at 31.12.2018 PLN '000
Amount of liability as at the issue date, at nominal value	177,150	293,150
Costs related to issue of bonds	(1,237)	(4,854)
Carrying amount of liability as at the issue date	**175,913**	**288,296**
Principal component (without deferred tax)*	-	(578)
Liability component as at the issue date	**175,913**	**287,718**
Accrued interest – costs YTD	29,209	46,993
Interests paid – costs YTD	(27,670)	(40,282)
Repayment**	(75,150)	(116,000)
Carrying amount of liability as at the balance sheet date	**102,302**	**178,429**
Long-term portion:	77,421	95,930
Short-term portion:	24,881	82,499
	102,302	**178,429**

*applies to series G1 bonds redeemed by MCI on 21 March 2018
** on 24 June 2019, series K bonds with the nominal value of PLN 54,500 thousand were redeemed. Interest paid include interest on series K bonds in the amount of PLN 7,736 thousand, paid out by 31 December 2018; on 20 December 2019, series M bonds with the nominal value of PLN 20,650 thousand were redeemed. Interest paid include interest on series M bonds in the amount of PLN 2,349 thousand, paid out by 31 December 2018.

Bonds issued by MCI Capital S.A.

The following table presents the value of bond liabilities, issue date, redemption date, balance of interest paid and interest rates of bonds (the table also includes information on bonds redeemed during the financial year that were not included in the Company's liabilities as at 31 December 2019).

Series of Bonds	Allotment date	Redemption date	Number of bonds	Interest rate	Nominal value of bonds PLN '000	Interest paid for 2019 PLN '000	Interest paid until 31.12.2018 PLN '000
Series K*	14.06.2016	24.06.2019	54,500	WIBOR.6M + 3.9%	54,500	1,572	7,736
Series M*	23.12.2016	20.12.2019	20,650	WIBOR.6M + 3.9%	20,650	1,171	2,349
N Series	29.12.2016	29.12.2021	45,000	fixed – 6.5%	45,000	4,400	4,383
O Series	20.06.2018	19.06.2020	20,000	WIBOR.6M + 3.9%	20,000	1,138	1,712
Series P**	02.03.2019	01.03.2021	37,000	WIBOR.6M + 4.0%	37,000	2,137	1,072
					177,150	**10,418**	**17,252**

*series K and M bonds were redeemed on the maturity date, i.e. 24 June 2019 and 20 December 2019 respectively.
**on 2 March 2020, series P bonds were redeemed early.

All bonds issued by the Company (except series N bonds) are secured. The object of the security are investment certificates issued by MCI.EuroVentures 1.0. and MCI.TechVentures 1.0. subfunds, separated within the MCI.PrivateVentures FIZ fund, held by a subsidiary, MCI Fund Management Sp. z o.o.

Liabilities on account of the bonds will be settled by the Company from proceeds from the redemption of investment certificates and the Company's own funds.

15. Trade payables and other liabilities

	As at 31.12.2019 PLN '000	As at 31.12.2018 PLN '000
Trade payables	314	481
Liabilities to related entities	6	209
Tax liabilities	7	3
Social security and other charges payable	17	9
Deferred income*	404	1,037
Other liabilities	249	3
	997	**1,742**
Long-term portion:	260	649
Short-term portion:	737	1,093
	997	**1,742**

*This item relates mainly to settlements on account of warranties granted, collected in advance, and income for making the Company's logo and name available to the lessee for marketing purposes (unsettled deferred income).

16. Lease liabilities

The Company as a lessee

The Company is a party to lease agreements related to the lease of office space, effective until 22 June 2021.
The Company's lease liabilities are secured by the lessor's ownership of the leased asset.
The carrying amounts of right-of-use asset and their changes in the reporting period are presented below:

Year ended 31 December 2019	
As at 1 January 2019	**306**
Amortisation and depreciation	(111)
As at 31 December 2019	**195**

Maturity analysis of lease liabilities is presented in **Note 36 *"Financial risk management"***, in the section on liquidity risk.
The amounts of income, expenses, gains and losses resulting from leases recognised in the statement of profit or loss and other comprehensive income are presented in **Note 20 *"Income, expenses, gains and losses recognised in the statement of comprehensive income, by category of financial instrument"***.

In 2019, total cash outflow for leases amounted to PLN 1,162 thousand.

As at 31 December 2019, lease liabilities amount to PLN 2,148 thousand, of which the long-term portion is PLN 956 thousand and the short-term portion is PLN 1,192 thousand.

17. Promissory notes payable

	As at 31.12.2019 PLN '000	As at 31.12.2018 PLN '000
Amount of liability as at the issue date, at nominal value	60,000	-
Carrying amount of liability as at the issue date	**60,000**	**-**
Accrued interest – costs YTD	1,549	-
Carrying amount of liability as at the balance sheet date	**61,549**	**-**

On 21 June 2019, the Company concluded an agreement regulating the issue of a promissory note with the issuer, MCI Fund Management Sp. z o.o. The promissory note bears interest at 4.99% per annum. The promissory note matures on 21 June 2020.

18. Provisions

	As at 31.12.2019 PLN '000	As at 31.12.2018 PLN '000
Provision for bonuses and holiday entitlements	336	79
Other provisions	257	96
	593	**175**

Specification of provisions	**Value as at 01.01.2019**	**Recognition of provisions**	**Reversal of provisions**	**Use of provisions**	**Value as at 31.12.2019**
	PLN '000	**PLN '000**	**PLN '000**	**PLN '000**	**PLN '000**
Provision for bonuses and holiday entitlements	79	320	(12)	(51)	336
Other provisions	96	316	-	(155)	257
	175	**636**	**(12)**	**(206)**	**593**

19. Financial assets and liabilities measured at fair value

The following financial assets and liabilities are carried by the Company at fair value:

Financial assets designated at fair value through profit or loss upon initial recognition

Investments in shares of subsidiaries, associates and other entities which do not run investing activities, as well as investment certificates of investment funds and other financial instruments are recognised at fair value upon initial recognition with changes in fair value taken to profit or loss.

The method of shares measurement depends on the type of available inputs used in the measurement. For entities whose shares are not listed on an active market, fair value is determined using valuation techniques commonly applied by market participants, not based on inputs from an active market, but providing the most accurate reflection of the fair value.
The Company classifies the principles of fair value measurement using the hierarchy below which reflects the importance of inputs used in the measurement:

- **Level 1** – financial assets/liabilities measured directly based on prices quoted on an active market.
- **Level 2** – financial assets/liabilities measured using valuation techniques based on inputs from an active market or market observations.
- **Level 3** – financial assets/ liabilities measured using techniques commonly applied by market participants, not based on inputs from an active market.

The table below presents a classification to the relevant hierarchy level:

	As at 31.12.2019		As at 31.12.2018	
	Level	Measurement method	Level	Measurement method
Investments in subsidiaries				
MCI Fund Management Sp. z o. o.	3	Adjusted net assets	3	Adjusted net assets
Investments in associates				
Private Equity Managers S.A.	1	Price quoted on an active market (WSE)	1	Price quoted on an active market (WSE)
Investment certificates				
Investment certificates Helix Ventures Partners FIZ	3	Net Asset Value (NAV)	3	Net Asset Value (NAV)
Investment certificates Credit Ventures FIZ	-	-	3	Net Asset Value (NAV)
Investment certificates Internet Ventures FIZ	3	Net Asset Value (NAV)	3	Net Asset Value (NAV)
Other financial instruments				
Value of preferred distribution of funds from Internet Ventures FIZ	3	According to the contractual terms (valuation of the option giving MCI a guarantee to recover the funds invested)	3	According to the contractual terms (valuation of the option giving MCI a guarantee to recover the funds invested)
Value of preferred distribution from Helix Ventures Partners FIZ fund	3	According to the contractual terms (valuation of the option giving MCI a guarantee to recover the funds invested)	3	According to the contractual terms (valuation of the option giving MCI a guarantee to recover the funds invested)
Issued return rate guarantee for investment in MCI.TechVentures 1.0. subfund.	3	According to the contractual terms	-	-

In the Company's opinion, measurement of investment certificates at the net asset value ("NAV") and measurement of investments in subsidiaries at the value of adjusted net assets is the best reflection of the fair value of these investments.

The Company makes transfers between levels of the fair value hierarchy when the change of conditions results in fulfilment of non-fulfilment of the criteria for classification to a particular level. The Company makes transfers between levels of the fair value hierarchy in the interim period in which the event giving rise to the change of conditions occurred. The Company applies a consistent approach to transfers to and from different levels of the fair value hierarchy.

Portfolio companies of investment funds whose investment certificates are held by the Company or its subsidiary (i.e. MCI Fund Management Sp. z o.o.) are measured using different measurement methods, depending on the stage of development of the company, the nature of the business and the industry in which the company operates (comparative methods, invested funds, recent comparable transactions, market prices). The adopted measurement methods are the best reflection of the fair value of individual companies.

Measurement of financial instruments measured at fair value in the statement of financial position

Type of financial instrument	Method of measurement of the financial instrument	As at 31.12.2019 PLN '000	As at 31.12.2018* PLN '000
Non-current assets			
Investment certificates	Measured at fair value through profit or loss	20,251	78,443
Investments in subsidiaries	Measured at fair value through profit or loss	1,400,585	1,264,032
Investments in associates	Measured at fair value through profit or loss	3,715	9,173
Investments in other entities	Measured at fair value through profit or loss	7	7
Other financial instruments	Measured at fair value through profit or loss	2,436	200
Short-term liabilities			
Other financial instruments	Measured at fair value through profit or loss	4,036	-

**Restated data*

Figures in the table above are presented at carrying amounts

These assets and liabilities were measured at fair value through profit or loss as designated for measurement through profit or loss.

Measurement of financial instruments not measured at fair value in the statement of financial position

Type of financial instrument	Method of measurement of the financial instrument	As at 31.12.2019 PLN '000	As at 31.12.2018* PLN '000
Non-current assets			
Long-term receivables	Measured at amortised cost	454	425
Lease receivables	Measured at amortised cost	819	-
Current assets			
Short-term receivables	Measured at amortised cost	1,039	2,943
Lease receivables	Measured at amortised cost	1,092	-
Long-term liabilities			
Liabilities on account of bonds	Measured at amortised cost	77,421	95,930
Other liabilities	Measured at amortised cost	260	649
Lease liabilities	Measured at amortised cost	956	-
Short-term liabilities			
Liabilities on account of bonds	Measured at amortised cost	24,881	82,499
Promissory notes payable	Measured at amortised cost	61,549	-
Trade and other payables	Measured at amortised cost	737	1,093
Lease liabilities	Measured at amortised cost	1,192	-

**Restated data*

The Company assumes that for the above financial instruments, not measured at fair value in the statement of financial position, their fair value approximates their carrying amount. This category includes mainly liabilities on account of bonds whose interest rate is based on a variable interest rate (WIBOR + margin), allowing to conclude that the amortised cost determined on this basis is the best reflection of the fair value.

20. Items of income, expenses, gains and losses accounted for in the statement of comprehensive income, by categories of financial instruments:

Year ended 31 December 2019	Interest income measured using the effective interest rate method	Reversal/(recognition) of impairment losses	Valuation gains/(losses)	Gains/(losses) on sale/redemption of financial instruments
Financial assets				
Investment certificates	-	-	(3,068)	1,809
Investments in subsidiaries	-	-	136,553	-
Investments in associates	-	-	(5,458)	-
Long-term and short-term receivables	-	1	-	-
Other financial instruments	-	-	2,236	-
Cash and cash equivalents	18	-	-	-
TOTAL	**18**	**1**	**130,263**	**1,809**

	Interest expenses measured using the effective interest rate method	Reversal/(recognition) of impairment losses	Valuation gains/(losses)	Gains/(losses) on sale/redemption of financial instruments
Financial liabilities				
Liabilities on account of bonds	(9,440)	-	-	-
Lease liabilities	(151)	-	-	-
Promissory notes payable	(1,549)	-	-	-
Other financial instruments	-	-	(4,036)	-
TOTAL	**(11,140)**	**-**	**(4,036)**	**-**

Year ended 31 December 2018	Interest income measured using the effective interest rate method	Reversal/(recognition) of impairment losses	Valuation gains/(losses)	Gains/(losses) on sale/redemption of financial instruments
Financial assets				
Investment certificates	-	-	(860)	789
Investments in subsidiaries	-	-	96,958	-
Investments in associates	-	-	(6,958)	-
Cash and cash equivalents	112	-	-	-
TOTAL	**112**	**-**	**89,140**	**789**

	Interest expenses measured using the effective interest rate method	Reversal/(recognition) of impairment losses	Valuation gains/(losses)	Gains/(losses) on sale/redemption of financial instruments
Financial liabilities				
Liabilities on account of bonds	(15,817)	-	-	-
Promissory notes payable	(359)	-	-	-
TOTAL	**(16,176)**	**-**	**-**	**-**

21. Employee benefits

The statement of comprehensive income includes the following costs of employee benefits:

	For the period: from 01.01.2019 to 31.12.2019 PLN '000	For the period: from 01.01.2018 to 31.12.2018 PLN '000
Current service cost	1,765	901
Social security costs	80	32
Share-based payments and option schemes	-	364
Other employee benefits	29	14
	1,874	**1,311**

Remuneration of key personnel

	For the period: from 01.01.2019 to 31.12.2019 PLN '000	For the period: from 01.01.2018 to 31.12.2018 PLN '000
Management Board		
Short-term employee benefits	663	411
Share-based payments	-	364
Lump-sum for the use of cars	24	8
	687	**783**
Supervisory Board		
Short-term employee benefits	234	19
	234	**19**

Employment / function

	As at 31.12.2019 Number of employees	As at 31.12.2018 Number of employees
Management Board	3	3
Supervisory Board	5	5
Operational staff	8	7
	16	**15**

Advances granted to the members of the Management Board

The Company did not grant advances to members of the Management Board in 2019 and 2018.

Loans granted to members of the Management Board

The Company did not grant loans to members of the Management Board in 2019 and 2018.

22. Share-based incentive schemes

Share-based incentive schemes

The Company did not resolve to adopt Share-based Incentive Schemes for Members of the Management Board and Key Management Personnel for 2019.

Remuneration scheme for the President of the Management Board

On 28 June 2016, the Ordinary General Meeting of the Company decided to issue subscription warrants dedicated to Mr. Tomasz Czechowicz in connection with execution of the remuneration scheme adopted by the Company's Supervisory Board by Resolution No 1 of 25 May 2016 (the "Remuneration Scheme").

Under the Remuneration Scheme, the Company will issue no more than 100,446 registered series C subscription warrants with the right to subscribe for no more than 100,446 ordinary series A1 bearer shares issued by the Company as part of conditional increase of the share capital. The proposed acquisition of warrants will be addressed exclusively to Mr. Tomasz Czechowicz and the issue of warrants will be effected in accordance with the Remuneration Scheme. Each subscription warrant will entitle the holder to subscribe for 1 share. The issue price of shares subscribed through the exercise of warrants will amounted to PLN 1.00 per share. Mr. Tomasz Czechowicz will be able to acquire shares by 31 December 2020, on condition that he remains on the position of the member of the Management Board of the Company throughout the vesting period of the warrants. The first vesting period runs from 1 January 2016 to 31 December 2016, during which the eligible person acquires the right to 33,482 subscription warrants. The second vesting period is the period from 1 January 2017 to 31 December 2017, during which the eligible person acquires the right to 33,482 subscription warrants. The third vesting period runs from 1 January 2018 to 31 December 2018, during which the eligible person acquires the right to 33,482 subscription warrants (a total of up to 100,446 warrants). The cost of PLN 364 thousand was recognised in the Company's books as regards the Remuneration Scheme in 2018. Similar amounts of cost were recognised in 2017 and 2016.

On 21 November 2017, Mr Tomasz Czechowicz exercised his right to take up subscription warrants acquired during the first vesting period for the rights to convert the warrants into shares.

On 2 October 2018, 33,482 series C subscription warrants ("Warrants") were issued, taken up free of charge by Tomasz Czechowicz. Each Warrant entitled its holder to acquire one bearer share in the share capital of the Company with a nominal value of PLN 1.00 per share. On 2 October 2018, the Warrants were converted into shares as part of a conditional share capital increase.

On 12 June 2019, Mr Tomasz Czechowicz acquired 33,482 warrants. These warrants were converted into shares as a part of the implementation of the incentive scheme.

23. Remuneration of the entity authorised to audit financial statements (gross)

	For the period: from 01.01.2019 to 31.12.2019 PLN '000	**For the period: from 01.01.2018 to 31.12.2018 PLN '000**
Audit of annual financial statements	219	170
Review of semi-annual financial statements	109	75
Other services*	-	172
	328	**417**

*Other services in 2018 related to works connected with bond issuance programme.

24. Dividend

The Company's Management Board plans to allocate the entire net profit earned in 2019, amounting to PLN 113,388 thousand, to the statutory reserve funds.

In 2018, the Company made a profit of PLN 174,531 thousand. On 27 June 2019, the Annual General Meeting of the Company resolved to allocate the entire profit to the Company's supplementary capital, thus the Annual General Meeting of the Company did not adopt a resolution on the distribution of dividends.

25. Contingent liabilities and assets

JTT compensation

On 2 October 2006, the Company brought action in the Regional Court in Wrocław against the State Treasury for the payment of PLN 38.5 million on account of losses incurred and profit lost by the Company as shareholder of JTT Computer S.A. as a result of unlawful practices of tax authorities. Following a final judgement of the Court of Appeals in Wrocław dated 31 March 2011, the Compensation received a compensation of PLN 46.6 million (including interest). The State Treasury appealed against the judgement of the Court of Appeals in Wrocław to the Supreme Court and requested cassation. On 26 April 2012, the Supreme Court dismissed the judgement in favour of the Company and referred the case back for re-examination by the Court of Appeals in Wrocław. On 17 January 2013, the Court of Appeals in Wrocław upheld the contested judgement, awarding compensation for JTT to the Company once again.

The State Treasury filed a cassation appeal with the Supreme Court against the judgement of the Court of Appeals in Wrocław dated 17 January 2013. As a result of the cassation appeal, on 26 March 2014, the Supreme Court reversed the judgement of the Court of Appeals in Wrocław dated 17 January 2013 and thus referred the case back for re-examination by the Court of Appeals in Wrocław.

In July 2014, the first hearing was held before the Court of Appeals in Wrocław, during which evidence from additional witness examination was accepted. In March 2015, another hearing was held before the Court of Appeals in Wrocław, and more witnesses were examined.

The Court took evidence from personal sources and subsequently submitted an inquiry to an expert team asking whether and when they could prepare a supplementary written opinion from an expert examination. The experts expressed their readiness to prepare a supplementary opinion. In January 2017, the Court sent a reminder letter to the experts to submit their opinion. On 6 March 2017, the experts submitted a supplementary opinion, upholding their findings. A letter with a position on the expert opinion was filed, and the State Treasury raised objections against the opinion.

On 18 September 2018, the Court of Appeal in Wrocław issued a decision, in which it amended the decision appealed against and decided to order payment by the State Treasury for MCI Capital S.A. (MCI) of the amount of PLN 2.2 million with interest, dismissing the remaining portion of MCI's claims. In its oral grounds for the judgement, the Court of First Instance stated that the amount of damage suffered by MCI was determined on the basis of judicial discretion.

The execution of the above judgement of the Court of Appeal in Wrocław resulted in the outflow of cash from the Company in the amount of PLN 42.8 million.

In May 2019, the Company received a written statement of reasons for the judgement. On 19 July 2019, the Company filed a cassation appeal with the Supreme Court against the judgement of the Court of Appeals in Wrocław.
On 17 January 2020, in a closed session, the Supreme Court accepted the cassation appeal for consideration. Acceptance by the Supreme Court of a cassation appeal means that the cassation appeal meets all formal conditions to be considered by the Supreme Court.

As at the date of these financial statements, the Company awaits consideration of the cassation appeal by the Supreme Court.

Corporate income tax – JTT compensation

On 20 June 2011, the Company requested the Minister of Finance to issue a tax ruling concerning the income tax on compensation for the impairment of JTT Computer S.A. shares held by the Company, received from the

State Treasury. According to the Company, the compensation received from the State Treasury does not constitute taxable income. In a private-letter ruling passed on 14 September 2011, the tax authority stated that the Company's position was incorrect, and therefore the Company filed a complaint against the ruling with the Provincial Administrative Court in Warsaw. In a judgement dated 12 November 2012, the Provincial Administrative Court in Warsaw ruled that the appeal had no merit. In January 2013, the Company filed a cassation appeal against the Provincial Administrative Court judgement to the Supreme Administrative Court.

On 9 April 2015, the Supreme Administrative Court passed a judgement dismissing the cassation appeal. The judgement is final. Upon the receipt of a written statement of reason for the Supreme Administrative Court's judgement, the Company decided to file a complaint with the Constitutional Court concerning the unconstitutionality of the taxation imposed on compensation from the State Treasury. The constitutional complaint was filed on 3 November 2015. On 26 April 2016, the Constitutional Court refused to proceed with the constitutional complaint. This means that all remedies against the practices of the State Treasury offered by national procedural rules have been exhausted.

In the opinion of the Management Board, compensation received from the State Treasury is not a financial increment and therefore does not meet the definition of income under the Corporate Income Tax Act and should therefore not be treated as a taxable revenue. In addition, it should be noted that the State Treasury reduced the compensation paid to the Company for the value of the tax paid by the Company, whereas the damage suffered should, in the opinion of the Company's Management Board, be remedied entirely.

As a result, the Company decided to file a correction of the CIT return in order to claim a refund of the tax paid on the compensation received.

On 30 December 2016, the Company applied to the Head of the First Mazovian Tax Office in Warsaw for a declaration of corporate income tax overpayment for tax year 2011. In a correction of its CIT-8 tax return for 2011, the Company reported an overpayment of PLN 5.3 million.

On 13 April 2017, the Company received a notice from the Head of the First Mazovian Tax Office in Warsaw stating that the case of declaration of corporate income tax overpayment for tax year 2011 was referred to the Second Mazovian Tax Office in Warsaw.

On 8 June 2017, the Company received a decision refusing to declare the overpayment from the Second Mazovian Tax Office in Warsaw. On 22 June 2017, the Company appealed against the decision to the appeal body, the Director of the Tax Administration Chamber in Warsaw. On 13 September 2017, the Company received a decision from the appeal body, which upheld the decision of the body of first instance, i.e. the Head of the Second Mazovian Tax Office in Warsaw.

On 27 September 2018, the Provincial Administrative Court in Warsaw examined the complaint against the decision of the Director of the Tax Administration Chamber in Warsaw, upholding the decision of the Head of the Second Mazovian Tax Office in Warsaw of 7 June 2017, refusing to acknowledge the overpayment of corporate income tax for 2011 in the amount of PLN 5.3 million. The Company filed another request for acknowledgement of overpayment on 18 February 2019, taking into account the judgement of the Court of Appeal of 18 September 2018. On 18 February 2019, the Company filed a correction of the Company's corporate income tax return for 2011 with a motion to acknowledge an overpayment of corporate income tax for the aforementioned period.

On 26 April 2019, the Company received the decision of the Head of the Second Mazovian Tax Office in Warsaw refusing to initiate proceedings to declare the overpayment pursuant to the motion dated 18 February 2019. According to the Authority, the tax liability for 2011 became time-barred as of 31 December 2017. On 6 May 2019, the Company lodged a complaint against the decision refusing to initiate proceedings because, in the Company's opinion, filing a complaint to the administrative court against the decision refusing to declare the overpayment results in the suspension of the statute of limitations period and, as a consequence, the tax liability for 2011 had not become time-barred. On 13 May 2019, the Head of the Second Mazovian Tax Office sent his position on the complaint to the Director of the Tax Administration Chamber in Warsaw. On 22 July 2019, the Director of the Tax Chamber in Warsaw upheld the contested decision concerning the proceedings. On 28 August 2019, the Company filed a complaint against the decision of the Director of the Tax Administration Chamber in Warsaw with the Provincial Administrative Court in Warsaw. In October 2019, the Company received a copy of the response of the Director of the Tax Administration Chamber in Warsaw dated 24 September 2019 addressed to the Provincial Administrative Court in Warsaw to the complaint filed by the Company. On 25 February 2020, the Provincial Administrative Court in Warsaw dismissed the complaint against the decision of the Director of the Tax Administration Chamber in the second case concerning overpayment. The Company filed a request for a written justification of the court judgement. After receiving a written justification of the court's judgement, the Company intends to appeal against the judgement. As at the date of these financial statements, the Company awaits the receipt of the justification of the court judgement.

The financial statements as at 31 December 2018 include receivables from overpaid corporate income tax in the amount of PLN 5.3 million in connection with the correction of the tax return for 2011 caused by the judgement of the Court of Appeal in the JTT case dated 18 September 2018. However, the judgement in the main JTT case did not contribute to the return of the overpaid CIT, as requested by the Company. As at the date of these financial statements, the Company awaits receipt of a written justification of the judgement of the Provincial Administrative Court in Warsaw of 25 February 2020 dismissing the complaint against the decision of the Director of the Tax Administration Chamber. After receiving a written justification of the court's judgement, the Company intends to appeal against the judgement. The complaint concerns the erroneous, in the Company's opinion, decisions of tax authorities, where the authorities express the opinion that the statute of limitations period in the case concerning overpayment was not interrupted. Therefore, the matter of a return of the overpayment on account of the correction of CIT for 2011 may be revisited only after a successful resolution of this matter (i.e. a decision in which the Provincial Administrative Court or another authority decides that the statute of limitations period has been interrupted).

Therefore, in 2019 the Company reviewed the collected decisions of tax authorities and the positions of tax advisors. Taking into consideration:

- the fact that this is an amount receivable whose certainty/recoverability has not been confirmed in any way by the tax authorities,
- an early stage of the case as at 31 December 2018, and
- taking into account the not quite favourable developments for the Company after the date of the initial recognition of the amount receivable, in particular the correspondence with the tax authorities on this matter, suggesting that the case concerning overpayment was time-barred,

The Company came to the conclusion that as at 31 December 2018 there were no sufficient grounds to consider the income tax overpayment highly probable and to classify it as an amount receivable from the Tax Office, and consequently to maintain this amount also as at 31 December 2019. The Company continues to uphold its position on the legitimacy of a refund of CIT overpayment for 2011, especially in the context of the fact that in September 2018 the Company returned to the State Treasury the amount of compensation (PLN 42.8 million), on which it had previously paid the tax claimed today, but at the same time is aware that it will take time to recover this amount. Therefore, the Company decided that it should not have recognized the overpayment as an amount receivable as at 31 December 2018 and adjusted the amount receivable retrospectively, i.e. as at 31 December 2018.

An application to the Polish Financial Supervision Authority for a permit to operate as an internal manager of an alternative investment company

On 2 June 2017, the Company submitted an application to the Polish Financial Supervision Authority for a permit to operate as an internal manager of an alternative investment company. The reason for the application was that it was impossible to confirm unequivocally whether the actual business of the Company meets the conditions to be considered an alternative investment company. If the Polish Financial Supervision Authority does not recognise the Company as an alternative investment company, the Company will continue its business on the previous terms. If the Company is considered an alternative investment company, it will be required to take into account in its day-to-day operations the requirements set forth in the Act on Investment Funds and Management of Alternative Investment Funds of 27 May 2004 with respect to alternative investment companies and managers of alternative investment companies.

In connection with the proceedings in question, on 2 April 2020 the Extraordinary Shareholders' Meeting of the Company adopted a resolution to amend the Company's Articles of Association in order to adapt their wording to the Company's operations as an internal manager of an alternative investment company. Detailed wording of the amendments to the Company's Articles of Association is contained in the minutes of the Extraordinary General Shareholders Meeting of the Company available on the website mci.pl.

As of the date of these financial statements, the proceedings before the PFSA are still pending.

26. Warranties and guarantees

Warranties granted to MCI.PrivateVentures FIZ

- warranty of 11 September 2014 – MCI.EuroVentures 1.0 subfund

On 11 September 2014, MCI Capital S.A. granted a warranty, subsequently amended by Annex No 1 to the warranty of 31 July 2015 and Annex No 2 to the warranty of 8 November 2017 for liabilities under the facility granted by Alior Bank S.A. under the revolving credit facility agreement of 11 September 2014, with subsequent annexes of 1 October 2014; 29 July 2015; 7 January 2016; 2 November 2016; 8 September 2017; 6 October 2017 and 8 November 2017, in the amount of PLN 30 million, for MCI.PrivateVentures FIZ with the separated subfund MCI.EuroVentures 1.0. The Company signed a statement on the establishment of an enforcement title pursuant to Article 777 § 1(5) of the Civil Code up to the maximum amount of PLN 30 million. The Bank is entitled to issue an enforceability clause to the deed by 6 November 2023. On 13 February 2020, Annex 8 to the facility agreement was signed, shortening the availability of the revolving facility to 14 February 2020, therefore the warranty granted by MCI Capital S.A. expired on 14 February 2020.

- Collateral for the credit facility of the MCI.EuroVentures 1.0. subfund

On 22 March 2016, MCI Capital S.A. provided collateral for the credit facility granted by Alior Bank S.A. to the MCI.EuroVentures 1.0. subfund for the liability under the Revolving Credit Facility Agreement in the amount of PLN 30 million, described in the section above. In order to secure the claims, the Company established a registered pledge for the bank over 180,639 shares in Private Equity Managers S.A. On 13 February 2020, Annex 8 to the facility agreement was signed, shortening the availability of the revolving facility to 14 February 2020, therefore the registered pledge expired on 14 February 2020.

Financial guarantee for liabilities under bonds issued by MCI Venture Projects Sp. z o.o. VI SKA

On 10 March 2016, the Company granted a financial guarantee in connection with the issue of bonds by MCI Venture Projects Spółka z o.o. VI Spółka komandytowo-akcyjna. The guarantee was granted pursuant to Czech law. The guarantee secures the following obligations of the Issuer:

- to pay the nominal value and interest on the Bonds;
- due to unjust enrichment towards a given holder of the Bonds caused by the invalidity or annulment of the Bonds;
- for sanctions caused by improper or late payment of Bonds.

In connection with the additional issue of the Bonds on 11 October 2016, the total nominal value of the Bonds is CZK 699 million (about PLN 110.7 million at the CZK/PLN exchange rate of 11 October 2016, i.e. 0.1583). The value of interest on the Bonds results from the terms of issue of the Bonds. The interest is accrued on the basis of a variable interest rate, depending on the value of the 6M PRIBOR reference rate and increased by a margin of 3.8% per annum. The guarantee secures the above-mentioned liabilities up to an amount not higher than 130% of the total nominal value of the Bonds issued, arising up to 8 April 2021. The maximum value of the above liabilities to be repaid by the Company under the Guarantee (after the issue of 11 October 2016) will not exceed CZK 908.7 million (about PLN 143.8 million assuming that CZK 1 is the equivalent to PLN 0.1583).

The guarantee was granted until the day on which the obligations covered by the Guarantee are fully met, but no longer than until 8 April 2022.

For the financial guarantee granted, the Company charges a fee of 1% per annum on the value of the collateral, which is approximately PLN 1.4 million per year.

On 27 January 2020, MCI Venture Projects Sp. z o.o. VI SKA announced its intention to redeem early the bonds covered by the guarantee. The bonds were redeemed on 13 March 2020. Consequently, the financial guarantee granted by MCI Capital S.A. has also expired.

Financial guarantee for liabilities under bonds issued by AAW X Sp. z o.o.

On 16 March 2018, the Company granted a financial guarantee to AAW X Sp. z o.o. in connection with issuance of bonds in the Czech market. The guarantee was granted pursuant to Czech law. The guarantee constitutes a collateral for amount of up to 130% of the nominal value of issues bonds, i.e. up to CZK 222.3 million (approx. PLN 35.2 million). The warranty was established until the date of settlement of liabilities of AAW X Sp. z o.o. under the issued bonds, not later, however, than until 29 March 2024.

Warranties granted to Private Equity Managers S.A.

On 21 November 2018, in connection with the granting of additional financing to Private Equity Managers S.A. by ING Bank Śląski S.A. in the amount of PLN 15 million, the Company granted a civil-law warranty of up to PLN 18 million and made a representation on submission to enforcement in the form of a notarial deed pursuant to Article 867 § 1(5) of the Code of Civil Procedure of 17 November 1964 (Journal of Laws of 2014, item 101) up to PLN 18 million and until 31 December 2025.

Warranty granted to Frisco S.A.

On 23 August 2019, the Company granted a warranty covering the credit facility contracted on 21 August 2019 by Frisco S.A. with mBank S.A., including interest and other payable costs of obtaining the credit facility, under an overdraft facility agreement. The warranty was granted for up to PLN 7.5 million and for the period until 30 November 2020. In addition, on 6 September 2019 the Company submitted a declaration of submission to enforcement under Article 777 § 1(5) of the Code of Civil Procedure, for up to PLN 11.25 million, valid until 30 November 2021.
On 12 December 2019, the Company granted a warranty covering the new credit facility contracted on 11 December 2019 by Frisco S.A. with mBank S.A., including interest and other payable costs of obtaining the credit facility, under a facility agreement. The warranty was granted for up to PLN 1.0 million and for the period until 1 July 2021. In addition, on 19 December 2019 the Company submitted a declaration of submission to enforcement under Article 777 § 1(5) of the Code of Civil Procedure, for up to PLN 1.5 million, valid until 1 July 2022.

Estimation of allowance for expected credit losses on warranties and guarantees granted

For the purpose of estimation of allowance for expected credit losses on warranties and guarantees granted, the Company analysed the financial standing of entities to whom it granted warranties and guarantees. Calculation of the allowance for expected credit losses recognised in the financial year ended 31 December 2019 indicated an immaterial amount of allowance for expected credit losses. Therefore, the Company did not recognise this allowance.

27. Lease agreements

As at the balance sheet date, the Company is a party to the office space lease agreement with WS Tower Sp. z o.o., classified as a lease agreement under IFRS 16. At the same time, the Company is a party to sublease agreements for office space with related entities.

28. Operating segments

No separate operating or geographical segments are separated within the Company.

29. Significant events in 2019

Resolution on the admission and introduction of ordinary shares to stock-exchange trading on the WSE Main Market

On 4 March 2019 (Current Report No 6-8/2019), the Management Board of the WSE passed a resolution to admit and introduce to stock-exchange trading on the WSE Main Market 66,964 Series A1 ordinary bearer shares in MCI Capital S.A. as of 7 March 2019 (shares from the implementation of the share-based incentive scheme established for Tomasz Czechowicz). The entry in the National Court Register concerning 33,482 shares was made on 23 February 2018, and another entry concerning 33,482 shares – on 8 November 2018.

Removal and appointment of the President of the Management Board by the Company’s Supervisory Board

On 11 June 2019 (Current Report No 13/2019), in connection with the expiring term of office of the President of the Management Board, Tomasz Czechowicz, the Company's Supervisory Board, in its resolution of 11 June 2019, removed the President of the Management Board, Tomasz Czechowicz, from the Company's Management

Board and then appointed Tomasz Czechowicz to the Company's Management Board for the next three-year term of office, as the President of the Management Board.

Removal and appointment of the Chairman of the Supervisory Board by the Company's Supervisory Board

On 11 June 2019 (Current Report No 14/2019), in connection with the expiring term of office, the Company's Supervisory Board removed Mr Jarosław Dubiński from the Company's Supervisory Board and appointed M Jarosław Dubiński to the Company's Supervisory Board for another three-year term of office as the Chairman of the Company's Supervisory Board.

Acquisition of warrants and conversion to shares

On 12 June 2019 (Current Report No 16/2019), Tomasz Czechowicz acquired 33,482 warrants and converted them into shares as a part of the implementation of the incentive scheme. The share capital was increased accordingly. The share capital increase was registered with the National Court Register on 17 September 2019. Following the conversion of the subscription warrants into shares, the Company's share capital increased to PLN 52,953,560.00 (fifty-two million, nine hundred and fifty-three thousand, five hundred and sixty złoty) and is divided into: 52,953,560 ordinary bearer shares with a par value of PLN 1.00 (one zloty) per share, including 100,446 ordinary series A1 bearer shares.

Redemption of series K bonds

On 24 June 2019 (Current Report No 18/2019), series K bonds with the nominal value of PLN 54.5 million were redeemed.

Annual General Meeting of Shareholders of the Company

On 27 June 2019 (Current Report No 19/2019), the AGM of MCI Capital S.A.:

a. resolved to approve the financial statements and allocate the entire net profit of the Company, amounting to PLN 174,530,609.19, to the Company's supplementary capital;

b. removed Mr Piotr Czapski from the Supervisory Board in connection with the expiring term of office and appointed him for the next three-year term of office;

c. removed Mr Marcin Petrykowski from the Supervisory Board in connection with the expiring term of office and Mr Marcin Petrykowski's representation on not applying for the next term of office received by the Company on 14 June 2019;

d. appointed Mr Andrzej Jacaszek as a Member of the Supervisory Board for a three-year term of office.

Return rate guarantee agreement for investment in MCI.TechVentures 1.0. subfund

On 28 June 2019, the Company concluded a guarantee agreement with participants of the MCI. TechVentures 1.0 subfund separated within MCI.PrivateVentures FIZ under which the Company undertook to guarantee a 5% rate of return on investment in series S2 certificates issued by the subfund. For details, see **Note 1d *"Carrying amount of other financial instruments"***.

Prosecution proceedings

On 3 July 2019, members of the Company's management board made available and provided at the request of the Warsaw Police Headquarters, conducting proceedings on behalf of the District Prosecutor's Office of Warsaw, documentation intended to clarify a particular matter as part of an ongoing investigation into the acquisition of certificates issued by the MCI.TechVentures 1.0. subfund separated within MCI.PrivateVentures FIZ by investors. The Company is not a party to these proceedings. According to the information made public by the District Prosecutor's Office in Warsaw, the ongoing investigation of the Prosecutor's Office into acquisition by investors of certificates of the subfund MCI.TechVentures 1.0, separated within MCI.PrivateVentures FIZ.

Purchase of treasury shares

On 2 August 2019, MCI Capital S.A. purchased 3,000,000 treasury shares at a price of PLN 10.00 each, i.e. a total price of PLN 30 million. The shares represent 5.67% of the share capital. On 28 November 2019, the Extraordinary General Meeting of the Company resolved to reduce the Company's share capital from PLN 52,953,560.00 to PLN 49,953,560.00 through cancellation of a total of 3,000,000 bearer shares with a nominal value of PLN 1.00 each, in a book-entry form, to which the Central Securities Depository of Poland assigned ISIN code PLMCIMG00012. The share capital reduction was entered in the National Court Register on 21 February 2020.

Warranties granted to Frisco S.A.

On 23 August 2019, the Company granted a warranty covering the credit facility contracted on 21 August 2019 by Frisco S.A. with mBank S.A., including interest and other payable costs of obtaining the credit facility, under an overdraft facility agreement. The warranty was granted for up to PLN 7.5 million and for the period until 30 November 2020. In addition, on 6 September 2019 the Company submitted a declaration of submission to enforcement under Article 777 § 1(5) of the Code of Civil Procedure, for up to PLN 11.25 million, valid until 30 November 2021.

On 12 December 2019, the Company granted a warranty covering the new credit facility contracted on 11 December 2019 by Frisco S.A. with mBank S.A., including interest and other payable costs of obtaining the credit facility, under a facility agreement. The warranty was granted for up to PLN 1.0 million and for the period until 1 July 2021. In addition, on 19 December 2019 the Company submitted a declaration of submission to enforcement under Article 777 § 1(5) of the Code of Civil Procedure, for up to PLN 1.5 million, valid until 1 July 2022.

Merger of MCI Capital S.A. and MCI Fund Management Sp. z o.o.

On 30 September 2019, the Company decided to merge with its subsidiary, MCI Fund Management Sp. z o.o., and adopted a merger plan. MCI Capital S.A. acted as the acquirer (the Acquirer), and MCI Fund Management Sp. z o.o. acted as the acquiree (the Acquiree). On 28 November 2019, the General Shareholders Meeting of the Acquiree approved the plan to merge the Acquirer with the Acquiree, as agreed by both companies. The merger was entered in the National Court Register on 21 February 2020.

The primary objective of the merger of the Acquirer and the Acquiree was to rearrange the structure of the Company's Capital Group.

The merger was effected through the transfer of all assets of the Acquiree to the Acquirer.

The Company held 100% of the share capital of the Acquiree.

Redemption of series M bonds

On 20 December 2019 (Current Report No 39/2019), series M bonds with the total nominal amount of PLN 20.65 million were redeemed.

30. Material events subsequent to the balance sheet date

Estimated impact of the coronavirus pandemic on the financial standing of the MCI Group

The beginning of 2020 saw the spread of COVID-19 coronavirus all over the world. This situation had a negative impact on the global economy (noticeable significant weakening of the PLN exchange rate, fluctuation of commodity prices and decline in share prices). The global economy has been subjected to an unprecedented experiment – closed borders, almost no air traffic, closed commercial spaces, restrictions on mobility and much more. The first quarter of 2020 was also a period of unprecedented volatility on FX markets. The Polish zloty weakened on average by 6% in relation to the basket of currencies: about 7% in relation to EUR, over 9% in relation to USD and over 2% in relation to GBP.

However, at the time of preparing these financial statements of the Company, it is difficult to estimate the ultimate impact of the coronavirus epidemic on the operations of both companies in the funds' portfolios, whose investment certificates are held by the MCI Group, and on the financial standing of the entire MCI Group. Due to the fact that the situation related to the pandemic is evolving very dynamically, the projections of its impact on the condition of the MCI Group are surrounded by considerable uncertainties.

However, it should be noted that there is a risk of a decrease in the valuation of investment certificates of the funds held by the MCI Group, primarily as a result of a decrease in the valuation of portfolio companies. At the moment, one can observe a slowdown, especially in the tourism industry (which has a negative impact on the valuation of companies such as Tatilbudur and Travelata), as well as difficulties in warehouse management and logistics in e-commerce companies should be expected. Despite this, COVID-19, and the way societies react to threats it entails, can be a catalyst for long-term change. The Company assumes that, in the long term, this will lead to the acceleration of the digital transition processes and will also translate into changes in the purchasing habits of society. The Company believes that, first of all, there will be an increase in readiness to automate the activities performed, dependence on the human factor will decrease, the share of on-line sales will be much higher, the manner of working will change, etc. As a result, this will lead to an increase in demand for products/services offered online, which in turn may have a positive impact on the valuations of selected companies in the portfolios of funds whose investment certificates are held by the MCI Group. At this point, however, it is difficult to predict the scale and exact direction of this phenomenon.

Nevertheless, in the perspective of the next 3-6 quarters we expect the turmoil on capital markets and in the real economy to continue. The pandemic leads to reduced activity in M&A, Private Equity and IPO transactions, while accelerating the digital transition and disruption and reaching a turning point for e-commerce and digital services in CEE. As a result, this may lead to a decrease in the volume of new financing and a possible extension of the funds' exit processes, however, the Company expects that the funds will not be significantly affected by the coronavirus in terms of new investments and portfolio management process. The company expects stagnation on the debt market, which may mean that it will not be able to raise capital through bond issues in the coming year or for a longer period.

Apart from companies from the tourism sector, as mentioned above, companies of the funds in which the MCI Group invests are in a good position to capture and capitalise on changes in the economic environment. This is demonstrated by companies such as Frisco and Morele/Pigu who have significantly improved their performance during the pandemic. Therefore, in the long term (more than 1 year) the Company expects a positive or neutral impact of the pandemic on the funds' investments and valuation of investment certificates held by the MCI Group.

The Company's Management Board will monitor the potential quantitative and qualitative impact of the epidemic on the Company's financial position and future financial performance on an ongoing basis, and will take all possible mitigating measures to alleviate the negative impact on the Company's operations. However, the introduction of a state of epidemic threat has not yet created a direct threat to the Company's business continuity, and as at the date of preparation of these financial statements, the Company's operations continue without major obstacles. In view of the above, as at the date of preparation of these financial statements, the Management Board of the Company did not identify any impact of the coronovirus pandemic on the financial statements and thus did not revalue any assets or liabilities of the Company.

Acceptance for consideration of the cassation appeal against the judgement of the Court of Appeal in Wrocław in the JT Computer S.A. case.

On 19 July 2019, the Company filed a cassation appeal with the Supreme Court against the judgement of the Court of Appeals in Wrocław of 18 September 2018.

On 17 January 2020, in a closed session, the Supreme Court accepted for consideration a cassation appeal against the judgement of the Court of Appeal in Wrocław of 18 September 2018, partially dismissing the Company's claim, i.e. as to the amount of PLN 26,631,829.00 plus statutory interest.

Acceptance by the Supreme Court of a cassation appeal means that the cassation appeal meets all formal conditions to be considered by the Supreme Court.

Resolution on the admission and introduction of ordinary shares to stock-exchange trading on the WSE Main Market

On 30 January 2020 (Current Report No 8/2020), the Management Board of the WSE passed a resolution to admit and introduce to stock-exchange trading on the WSE Main Market 33,482 Series A1 ordinary bearer shares in MCI Capital S.A. as of 4 February 2020 (shares from the implementation of the share-based incentive scheme established for Tomasz Czechowicz). An entry in the National Court Register regarding these shares was made on 17 September 2019.

Resignation of a Management Board Member

On 7 February 2020, the Company received resignation of the Board Member, Mr Paweł Kapica, from the Company’s Management Board. Mr Paweł Kapica did not indicate the cause of his resignation.

Purchase of treasury shares

On 14 February 2020, MCI Capital S.A. purchased 945,259 treasury shares at a price of PLN 11.00 each, i.e. a total price of PLN 10.4 million. The shares represent 1.89% of the share capital. As at the date of publication of these statements, the total number of treasury shares held by the Company is 945,259 which represents 1.89% of the Company's share capital and 1.89% of the total number of votes at the Company's General Meeting. The reason and purpose of the Company's purchase of treasury shares is the implementation of a buy-back program of PLN 50 million, approved by the Company's EGM.

Cancellation of treasury shares

On 21 February 2020, the District Court for the Capital City of Warsaw in Warsaw, 12th Commercial Division of the National Court Register, entered a reduction of the Company's share capital from PLN 52,953,560.00 to PLN 49,953,560.00, i.e. by PLN 3,000,000.00 in the register of entrepreneurs of the National Court Register kept for MCI Capital S.A. For more details on cancellation of treasury shares, see Note 12 and Note 29.

Merger of MCI Capital S.A. and MCI Fund Management Sp. z o.o.

On 21 February 2020, a merger of MCI Capital S.A. and MCI Fund Management Sp. z o.o. was entered into the National Court Register – the merger is described in more detail in **Note 29 *"Significant events in 2019"***.

Redemption of series P bonds

On 2 March 2020 (Current Report No 17/2020), series P bonds with a total amount of PLN 38.3 million were redeemed early.

Expiry of warranties and guarantees granted by MCI Capital S.A.

– warranty of 11 September 2014 for MCI.EuroVentures 1.0 subfund – following the early termination of availability of a revolving credit facility in Alior Bank S.A. on 14 February 2020, the warranty granted by the Company in the amount of PLN 30 million and the registered pledge established by the Company over 180,639 shares in Private Equity Managers S.A. expired on that date.

– Financial guarantee for liabilities under bonds issued by MCI Venture Projects Sp. z o.o. VI SKA – following the early redemption of bonds, the warranty granted by the Company up to a maximum amount of CZK 908.7 million expired on 13 March 2020.

31. Condensed financial information on MCI investment funds

MCI invest in closed-end investment funds.

As at 31 December 2019, the Company held:
- 44.39% of investment certificates of Internet Ventures FIZ, and
- 45.28% of investment certificates of Helix Ventures Partners FIZ.

In addition, an indirect subsidiary of MCI, i.e. MCI Fund Management Sp. z o.o. (MCI held 100% of shares in MCI FM), invests in investment certificates of closed-end investment funds.

As at 31 December 2019, MCI FM held:
- 99.12% of investment certificates of MCI.EuroVentures 1.0, a Subfund separated within MCI.PrivateVentures FIZ, and
- 43.70% of investment certificates of MCI.TechVentures 1.0, a Subfund separated within MCI.PrivateVentures FIZ.

Investment certificates are measured at fair value. Measurement is based on fair value measurement of the Funds' investments and other assets and liabilities. Any change in the measurement of the aforementioned assets and liabilities is reflected in the net asset value ("NAV") of each of the Funds, which translates directly to the revaluation of investment certificates.

Below is presented condensed financial information as at 31 December 2019 concerning Investment Funds whose investment certificates are held by MCI and MCI FM (based on reporting valuations of the funds):

	Credit Ventures FIZ		Internet Ventures FIZ		Helix Ventures Partners FIZ		MCI.EuroVentures 1.0 subfund		MCI.TechVentures 1.0 subfund		Total	Total
Item	31.12.2019	MCI share	31.12.2019	MCI share	31.12.2019	MCI share	31.12.2019	MCI share	31.12.2019	MCI share	31.12.2019	MCI / MCI FM share
	100.00%	0.00%	100.00%	44.39%	100.00%	45.28%	100.00%	99.12%	100.00%	43.70%	100.00%	
	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000	PLN '000
NAV structure:	264,658	-	45,734	20,251	11,177	5,061	1,198,426	1,187,852	687,639	300,505	**2,207,635**	**1,513,669**
- Public companies	-	-	-	-	-	-	-	-	2,055	898	2,055	898
- Non-public companies	245,619	-	49,243	21,860	10,972	4,968	1,295,053	1,283,627	751,520	328,422	2,352,407	1,638,877
- Cash, including deposits	31,280	-	408	181	189	86	73,357	72,710	841	368	106,075	73,344
- Other assets	31,026	-	107	47	68	31	109	108	114,218	49,914	145,528	50,101
- Liabilities	43,267	-	4,024	1,838	51	23	170,093	168,592	180,995	79,097	398,430	249,550
Net investment income	7,219	-	(2,524)	(1,172)	35	16	(35,727)	(35,412)	(20,509)	(8,963)	**(51,506)**	**(45,531)**
Realised and unrealised gains / losses	1,022	-	(4,272)	(1,896)	864	391	242,116	239,980	(61,295)	(26,787)	**178,435**	**211,688**
Results of operations for the period	8,241	-	(6,796)	(3,068)	899	407	206,389	204,568	(81,804)	(35,749)	**126,929**	**166,158**

Below is presented condensed financial information as at 31 December 2018 concerning Investment Funds whose investment certificates are held by MCI and MCI FM (based on reporting valuations of the funds):

	Credit Ventures FIZ		Internet Ventures FIZ		Helix Ventures Partners FIZ		MCI.EuroVentures 1.0 subfund		MCI.TechVentures 1.0 subfund		Total	Total
Item	31.12.2018 100.00% PLN '000	MCI share 26.99% PLN '000	31.12.2018 100.00% PLN '000	MCI share 44.39% PLN '000	31.12.2018 100.00% PLN '000	MCI share 45.28% PLN '000	31.12.2018 100.00% PLN '000	MCI share 96.22% PLN '000	31.12.2018 100.00% PLN '000	MCI share 51.60% PLN '000	31.12.2018 100.00% PLN '000	MCI / MCI FM share PLN '000
NAV structure:	204,217	55,124	52,530	23,319	10,279	4,654	1,022,451	983,768	817,522	421,879	**2,106,999**	**1,488,744**
- Public companies	-	-	-	-	-	-	-	-	-	-	-	-
- Non-public companies	199,348	53,810	51,655	22,931	10,107	4,576	1,137,081	1,094,061	922,291	475,945	2,320,482	1,651,323
- Cash, including deposits	5,991	1,617	409	182	158	72	12,648	12,169	10,708	5,526	29,914	19,566
- Other assets	308	83	1,856	824	71	32	115,306	110,944	2,381	1,229	119,922	113,111
- Liabilities	1,430	386	1,390	617	57	26	242,584	233,406	117,858	60,820	363,319	295,255
Net investment income	9,751	2,632	(2,230)	(990)	(76)	(34)	(29,802)	(28,674)	(37,289)	(19,243)	**(59,646)**	**(46,310)**
Realised and unrealised gains / losses	5,574	1,505	(613)	(272)	2,255	1,021	252,487	242,935	83,162	42,915	**342,865**	**288,103**
Results of operations for the period	15,325	4,137	(2,843)	(1,262)	2,179	987	222,685	214,260	45,873	23,673	**283,219**	**241,794**

32. Related parties

Information on related-party transactions as at 31 December 2019

	Ultimate controlling entity	Subsidiaries	Associates	Other related parties*	Total
Investments:					
Investments in subsidiaries	-	1,400,585	-	-	1,400,585
Investments in associates	-	-	3,715	-	3,715
Investment certificates	-	-	-	20,251	20,251
Other financial instruments	-	-	-	2,436	2,436
Receivables:					
Short-term receivables	-	-	106	550	656
Lease receivables	-	4	1,558	349	1,911
Liabilities:					
Trade and other payables	-	2	4	-	6
Promissory notes payable	-	61,549	-	-	61,549
Other financial instruments	-	-	-	4,036	4,036
Income and expenses:					
Revaluation of shares	-	136,553	(5,458)	-	131,095
Revaluation of investment certificates	-	-	-	(3,068)	(3,068)
Net gain or loss on redemption of investment certificates	-	-	-	1,809	1,809
Revaluation of other financial instruments	-	-	-	(1,800)	(1,800)
Operating income	5	-	87	205	297
Operating expenses	(1)	-	(13)	(3)	(17)
Lease income – sublease of office space	2	2	945	210	1,159
Finance income – warranties granted	29	-	18	2,763	2,810
Finance costs – interest on promissory notes issued	-	(1,549)	-	-	(1,549)

*Other related parties comprise all investment funds, funds' portfolio companies, subsidiaries of PEM, i.e. MCI Capital TFI S.A., PEM Asset Management Sp. z o.o., and indirect subsidiaries of MCI.

In addition to related-party transactions listed above, the Company also has off-balance sheet liabilities in the form of guarantees and warranties issued, described in detail in ***Note 26 "Warranties and guarantees"***.

Information on related-party transactions as at 31 December 2018*

	Ultimate controlling entity	Subsidiaries	Associates	Other related parties**	Total
Investments:					
Investments in subsidiaries	-	1,264,032	-	-	1,264,032
Investments in associates	-	-	9,173	-	9,173
Investment certificates	-	-	-	78,443	78,443
Other financial instruments	-	-	-	200	200
Receivables:					
Short-term receivables	-	-	90	1,186	1,276
Liabilities:					
Trade and other payables	-	203	4	2	209
Income and expenses:					
Revaluation of shares	-	96,958	(6,958)	-	90,000
Revaluation of investment certificates	-	-	-	(71)	(71)
Operating expenses	(1)	-	(3)	(27)	(31)
Dividend income	-	96,500	1,111	-	97,611
Finance income	23	-	2	3,995	4,020
Finance costs	(274)	(863)	-	(165)	(1,303)

**Restated data*

**Other related parties comprise all investment funds, funds' portfolio companies, subsidiaries of PEM, i.e. MCI Capital TFI S.A., PEM Asset Management Sp. z o.o., and indirect subsidiaries of MCI.

In addition to related-party transactions listed above, the Company also has off-balance sheet liabilities in the form of guarantees and warranties issued, described in detail in ***Note 26 "Warranties and guarantees"***.

33. Significant accounting policies

Below are presented the significant accounting policies applied in the preparation of these financial statements.

Comparative data

Comparative data presented in the financial statements were prepared using accounting policies identical to those adopted for the twelve-month period ended 31 December 2019, except for changes resulting from the application of new International Financial Reporting Standards effective as of 1 January 2019 (IFRS 16 Leasing) described below.

Amendments to standards

For financial statements for financial year beginning on or after 1 January 2019

IFRS 14 Regulatory Deferral Accounts (issued on 30 January 2014) − pursuant to the European Commission's decision, the process leading to the approval of a preliminary version of the standard will not be initiated until its final version is published; not endorsed by the EU by the date of authorisation of these financial statements for issue; effective for annual periods beginning on or after 1 January 2016;

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014) − work leading to endorsement of the amendments was deferred by the EU for an indefinite period − effective date was deferred by the IASB for an indefinite period;

IFRS 17 Insurance Contracts (issued on 18 May 2017) – not endorsed by the EU as at the date of authorisation of these financial statements for issue – effective for annual periods beginning on or after 1 January 2021;

Amendments to References to the Conceptual Framework in International Financial Reporting Standards (issued on 29 March 2018) – effective for annual periods beginning on or after 1 January 2020;

Amendments to IFRS 3 Business Combinations (issued on 22 October 2018) – effective for annual periods beginning on or after 1 January 2020;

Amendments to IAS 1 and IAS 8 Definition of materiality (issued on 31 October 2018) − effective for annual periods beginning on or after 1 January 2020;

Amendments to IFRS 9, IAS 39 and IFRS 7: Reform of interest rate benchmarks (issued on 26 September 2019) – effective for annual periods beginning on or after 1 January 2020;

Amendments to IAS 1 Presentation of Financial Statements: Classification of liabilities as short-term and long-term (issued on 23 January 2020) − not yet endorsed by the EU by the date of authorisation of these financial statements – effective for annual periods beginning on or after 1 January 2022.

The effective dates are stated in relevant standards issued by the International Accounting Standards Board. The effective dates of the standards in the European Union may differ from those specified in the text of the standards and are announced on approval of a standard by the European Union.

IFRS 16 Leases

In accordance with the requirements of IFRS, the Company applied the requirements of the new Standard concerning the recognition, measurement and presentation of leases as of 1 January 2019. The application of the new Standard was made in accordance with the transitional provisions contained in IFRS 16. The Company implemented IFRS 16 using a modified retrospective approach, therefore the comparative figures for 2018 were not restated.
The standard was published by the International Accounting Standards Board on 13 January 2016 and was endorsed by the European Union. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The new standard replaced IAS 17 Leases, effective until the end of 2018, as well as IFRIC 4, SIC-15 and SIC-27.

Expenditure related to the use of leased assets, previously largely included in general administrative expenses, is now classified as depreciation and interest expense. Right-of-use assets are depreciated using the straight-line method, while lease liabilities are accounted for using the effective interest rate.

In the first quarter of 2019, the Company launched the implementation of IFRS 16 (project), which was planned in three stages:
stage I – analysis of all agreements for purchase of services, regardless of the current qualification, aimed at selecting those contracts on the basis of which the Company uses assets belonging to suppliers,
stage II – the evaluation of each agreement identified in stage I in terms of its meeting the criteria to be recognised as a lease pursuant to IFRS 16,
stage III – implementation of IFRS 16 based on the developed concept.

The analyses covered lease and sublease agreements for office space. Moreover, all transactions under which services were purchased (“third-party services” in operating activity) were also reviewed with a view to identifying whether the Company uses identifiable assets.

As part of the project, the Company made appropriate changes in its accounting policies and operating procedures. It developed and implemented methodologies for correct identification of agreements which are leases as well as for collection of data necessary to correctly account for such transactions.

The Company decided to implement the standard as of 1 January 2019. In accordance with the transitional provisions of IFRS 16, the new policies were adopted using the modified retrospective approach. Accordingly, the comparative data for the financial year 2018 have not been restated.

Below are presented the individual adjustments to the opening balance as at 1 January 2019 arising from the implementation of IFRS 16.

Upon adopting IFRS 16, the Company recognises lease liabilities related to agreements previously classified as a lease service included in the expenses of the period. Liabilities result only from the lease of real estate, in the part subleased to related parties. These liabilities were measured at the present value of lease payments outstanding at the start of application of IFRS 16, discounted using the interest rate of the lease as at 1 January 2019, calculated based on the interest rate of new bonds: 4.00% + 6M WIBOR.

To calculate discount rates for the purposes of IFRS 16, the Company assumed that the discount rate should reflect the cost that it would have to pay to borrow the funds necessary to purchase the leased asset. As at 1 January 2019, the discount rate applied by the Company was 5.79%.
Right-of-use assets are measured at cost and presented in the statement of financial position as a separate item of property, plant and equipment.

For the lease agreement not terminated as at 1 January 2019, which had been classified as a lease agreement, the Company recognized right-of-use assets and lease liabilities in the following manner:

- the lease liability was measured at the present value of the lease payments remaining to be made, discounted at the incremental borrowing rate of the agreement at the date of initial application,
- the value of the right to use underlying assets was determined at the amount equal to the lease liability.

In applying IFRS 16 for the first time, the Company applied the following practical expedients permitted by the standard:
- application of a single discount rate to a portfolio of leases with similar characteristics,
exclusion of initial direct costs from the measurement of the right-of-use assets at the date of initial application, and
- use of hindsight in determining the lease term if the contract contains options to extend or terminate the lease.

The Company estimated the impact of IFRS 16 and determined that as at 1 January 2019, the Company recognized right-of-use assets and sublease receivables equal, in total, to lease liabilities of PLN 3,310 thousand, which did not result in any difference in value to be recognised under retained earnings.

Effect on the statement of financial position

The Company is a party to one lease agreement for office space in the Warsaw Spire office building, concluded on 22 June 2016 for a period of 5 years. The Company sub-leases part of the leased office space to related parties.

The effect of implementation of IFRS 16 on the recognition of additional financial liabilities and related right-of-use assets is presented in the following table:

	31 December 2018 without the effect of implementation of IFRS 16	Effect of implementation of IFRS 16	1 January 2019 including the effect of implementation of IFRS 16
ASSETS			
Right-of-use	-	306	306
Lease receivables	-	3,004	3,004
LIABILITIES AND EQUITY			
Lease liabilities		3,310	3,310

The table below presents the difference between future lease payments under non-cancellable operating leases, disclosed at the end of 2018, and lease liabilities recognised in the statement of financial position as at initial application of IFRS 16:

Future minimum lease payments under operating leases as at 31 December 2018 (disclosure in accordance with IAS 17)	3,575
Effect of discounting using the Company's incremental borrowing rate	(265)
Lease liabilities as at 1 January 2019	**3,310**
Sub-lease receivables as at 1 January 2019	(3,004)
Right-of-use as at 1 January 2019	**306**

Effect on statement of profit or loss

As of 2019, the statement of profit or loss has been changed in terms of classification of expenses (rental fees were replaced by depreciation and interest expenses) and the moment of their recognition (expenses related to leases are recognized more quickly due to recognition of interest expense using the effective interest rate method, which previously was not applied to agreements other than those classified as finance leases in accordance with IAS 17).

Effect on equity

The implementation of IFRS 16 had no effect on retained earnings or equity of the Company as at 1 January 2019.

The Company as a lessee

The new standard introduces a single model for recognising a lease in a lessee's accounting books. Under IFRS 16, a contract is a lease or contains a lease component if it transfers the right to control the use of the identified asset for a given period for consideration.

The right-of-use is conveyed where the lessee has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use in the period.

If the definition of lease is satisfied, the lessee recognises a right-of-use asset and a lease liability, initially measured at the present value of the lease payments to be made over the lease term, except for short-term leases (up to 12 months) and leases in respect of which the underlying asset has a low value.
At the lease commencement date, the lessee recognises a right-of-use asset and a lease liability. In accordance with IFRS 16, the Company right-of-use assets and lease liabilities recognises in the statement of financial position for all leases, except where IFRS 16 provides for exemptions from recognition.

For leases commencing after 1 January 2019, the Company recognises right-of-use assets and lease liabilities in the following manner:

- the lease liabilities are measured at the present value of the lease payments remaining to be made, discounted at the incremental borrowing rate of the agreement,
- the value of the right-of-use asset for individual leases (separately for each lease) is determined at cost.

The cost of a right-of-use asset comprises:

a) the amount of the lease liability initially measured;
b) any lease payments made at or prior to commencement, less any lease incentives received;
c) any initial direct costs incurred by the Company, and
d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, 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, unless those costs are incurred to produce inventories. The Company incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

a) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
c) amounts expected to be payable by the Company under residual value guarantees;
d) the exercise price of a purchase option if the Company is reasonably certain to exercise that option.

The initial measurement of both assets and liabilities is significantly affected by the determination of the lease term. According to the definition of the lease period set out in IFRS 16, this period includes the non-cancellable period and periods resulting from the extension or termination options, if there is reasonable certainty that the Company will extend the contract or will not use the termination option.

In addition, the Company makes other subjective assessments when making estimates and assumptions that affect the measurement of lease liabilities and right-of-use assets as regards:

a) determination of incremental borrowing rates used in discounting future cash flows;
b) determination of the useful lives of rights-of-use assets, recognised as at 1 January 2019;
c) structure of fixed and variable payments in the contract.

Investment entity

The Company meets the following criteria for being classified as an investment entity, as set out in paragraph 27 of IFRS 10, i.e.:

- it obtains funds from one or more investors for the purpose of providing that/those investor(s) with investment management services;
- it commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- it measures and evaluates the performance of substantially all of its investments on a fair value basis.

MCI, as an investment entity, does not consolidate its subsidiaries, except for subsidiaries that are not investment entities themselves and whose principal activity is to provide services that relate to the investment entity's investment activities (which MCI does not have). Therefore, the Company does not prepare consolidated financial statements and the investment in the subsidiary is measured at fair value through profit or loss and recognised in the current period's profit or loss.

Investments in subsidiaries

Investments in subsidiaries are measured at fair value through profit or loss and recognised in profit or loss of the current period, in accordance with IFRS 10.31. The fair value of investments in subsidiaries is determined on the basis of the adjusted net asset value of each subsidiary as at a given balance sheet date. The adjusted net asset value is determined on the basis of the measurement of net asset value of funds issuing investment certificates in which the subsidiaries invest. The value of investment certificates of these funds, in turn, is based on the fair value measurement of investments in portfolio companies, adjusted for the liabilities of the funds.

Investments in associates

An associate is an entity over which the investor has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In accordance with paragraph 18 of IAS 28, if an investment in an associate or joint venture is held directly or indirectly by an entity which is a venture capital organisation, mutual fund, trust fund or a similar entity, such entity may elect to measure its investment at fair value through profit or loss in accordance with IFRS 9.

Fair value measurement of investments in associates is based on:

- for a listed company – the share price on a public market as at the balance sheet date,
- for a company not listed on a public market:
  a) based on the fair value of net assets of the associate as at the balance sheet date, or
  b) in the event of a representative sale of shares in a given associate in the reporting period – based on the share value determined in that sale.

Effects of changes in foreign exchange rates

As at the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated at the mid-rate quoted by the NBP for that date. Foreign exchange gains and losses are recognized directly in profit or loss, except to the extent that they arise from the measurement of assets and liabilities where changes in fair value are recognised directly in equity.

Operating expenses

Operating expenses are the administrative and economic costs connected with the maintenance of the Company and ensuring of its proper functioning. General and administrative expenses include, among others:
- salaries and employee benefits, as well as social security costs (this applies to persons employed under an employment contract, mandate contracts or contracts for a specific work),
- costs of third party services,
- depreciation of fixed assets and amortization of intangible assets,
- consumption of materials and energy,
- taxes and charges,
- other expenses.

Employee benefits

Amounts of short-term employee benefits, other than those on account of employment termination and equity benefits, are recognised as liabilities, net of all amounts which have already been paid, and at the same time they are recognised as expenses of the period, unless the benefit is to be recognised as a cost of assets.

Employee benefits in the form of paid absences are recognised as liabilities and costs at the moment when employees performed work if the work performed causes an increase of possible future paid absences or at the moment when they occur if there is no connection between work and increase of possible future paid absences.

Share-based payments

Equity compensation benefits include benefits in such forms as: shares, share options and other equity instruments issued by the entity, as well as cash payments whose amount depends on future market price of shares in that entity.

The total amount that is expensed over the vesting period is measured at the fair value of the options granted, excluding the impact of any non-market related vesting conditions.

The proceeds from the exercise of options (less transaction costs directly related to the exercise) are recognised as share capital (nominal value) and supplementary capital from the share premium.

Taxes

Mandatory decrease in profit/(increase in loss) comprises current income tax and deferred income tax. Current tax expense is calculated based on the taxable profit (tax base) for a financial year. The net profit/(loss) established for tax purposes differs from the net profit/(loss) established for financial reporting purposes due to exclusion of taxable income and costs which are deductible in future years as well as items which will never be subject to taxation. Tax expenses are calculated based on the tax rates effective for a given financial year.

Deferred income tax is calculated as the tax to be paid or received in subsequent periods using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases.

A deferred tax liability is recognised for all taxable temporary differences, and deferred tax asset is recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets or liability is not recognised if the temporary difference arises from goodwill or from the initial recognition of another asset or liability in a transaction that affects neither the accounting profit or loss, nor taxable profit or loss.

The carrying amount of a deferred tax asset is reviewed as at each balance sheet date and is reduced to the extent it is no longer probable that sufficient taxable profits will be generated to allow the deferred tax asset to be realised in full or in part.

Deferred tax is calculated at tax rates that are expected to apply in the period when the asset is recovered or the liability is settled.

Deferred tax assets and liabilities are recognised in the statement of profit or loss, except where they relate to items that are recognised directly in equity, in which case the related deferred tax is also recognised in equity.

In connection with the establishment of the Tax Group, during the life of the Tax Group, its members are obliged to maintain in each fiscal year the tax profitability ratio at 2% or higher (in the fiscal year commencing on 1 July 2019) and 3% or higher (in the fiscal years ended 30 June 2019), calculated as the ratio of income to revenue.

Losses generated by companies before establishing the Tax Group do not expire. For this reason, companies are entitled to settle tax losses over the next five consecutive fiscal years, with the Tax Group period not being taken into account when calculating successive tax years.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes party to a binding agreement.

Financial instruments are classified into the following categories: financial assets measured at amortised cost; financial assets measured at fair value through other comprehensive income; financial assets measured at fair value through profit or loss; financial liabilities measured at fair value through profit or loss and financial liabilities subsequently measured at amortised cost.

Financial assets

The following financial assets are classified as measured at fair value through profit or loss: investments in subsidiaries and associates, investment certificates and other financial instruments.

Investments in subsidiaries and associates are designated as measured at fair value through profit or loss on initial recognition in accordance with IFRS 10, IAS 28 and IAS 27. The method of measurement of shares at fair value depends on the type of available inputs used in the measurement. For entities whose shares are not listed on an active market, fair value is determined using valuation techniques commonly applied by market participants, not based on inputs from an active market, but providing the most accurate reflection of the fair value.

The fair value of investment certificates is determined on the basis of the funds' net asset value.

Fair value of other financial instruments is determined on the basis of a model of fair value measurement using available source information.

Changes in the fair value of these assets are recognised in profit or loss. Financial assets are disclosed under the following balance sheet items:
- investments in subsidiaries,
- investments in associates,
- investment certificates,
- other financial instruments,
- cash and cash equivalents,
- long-term receivables,
- short-term receivables
- promissory notes payable.

Finance income and costs

Finance income and costs include interest accrued on financial assets or financial liabilities and are recognised on an accrual basis, i.e. in the financial year to which they relate.

Impairment of financial assets

At each reporting date, the Company assesses whether credit risk of a given financial instrument has increased significantly since initial recognition. When making the assessment, the Company uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

In order to identify a significant increase in credit risk, the Company applies the following qualitative criteria:

- Payments that are more than 30 days past due, unless the Company has reasonable and supportable information that is available without undue cost or effort, that demonstrates that the credit risk has not increased significantly since initial recognition even though the contractual payments are more than 30 days past due.
- Forbearance, which is extension of the repayment date or splitting the payment due into instalments except for cases, where extension of repayment date or splitting payment due into instalments is the tool of managing liquidity and concern transactions with related parties, investment funds managed by MCI Capital TFI S.A. and portfolio companies of these funds, and the Company has full control over it;
- Events associated with increase in risk, so called “soft evidence” of impairment, identified as part of analysis of relationship with contractor.

At each reporting date, the Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

In the case of trade receivables, the Company always measures an impairment loss on the expected credit losses at an amount equal to full lifetime expected credit losses.

The Company recognises in profit or loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised in accordance with IFRS 9.

Investment certificates

Investment certificates are measured at fair value through profit or loss and recognised in profit or loss of the current period. The fair value of investment certificates is the reporting valuation of funds (or official valuation if reporting valuation is not available), i.e. the net asset value of the investment certificates ("NAV per IC") held by the Company. Valuation of investment certificates is made at the frequency specified in the fund’s Statute, but not less than once every three months. It is based on an estimate of the value of the financial instruments in which the fund invests. Individual components of the fund’s investments (shares, other financial instruments, debt instruments) are measured at fair value. The revaluation of investment components is made quarterly. Valuation of other assets and liabilities of funds is also carried out at fair value. Therefore, the reporting and official valuation of funds (i.e. NAV per IC) is the best reflection of the fair value of investment certificates.

Cash and cash equivalents

Cash and current deposits in the statement of financial position include cash at bank and in hand as well as current deposits with an original maturity of three months or less.

Financial liabilities

When a financial liability is recognised initially, the Company measures it at its fair value plus, in the case of a financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial liability.

Financial liabilities are subsequently measured at amortised cost using the effective interest method. Financial liabilities are disclosed under the following balance sheet items:

- credits, loans,
- bonds,
- promissory notes,
- trade and other payables.

Any gains or losses on measurement of financial liabilities are recognised in the statement of profit or loss under finance income or costs.

Provisions for liabilities

The Company recognises a provision if the Company has a present obligation (legal or constructive) resulting from past events whose settlement is likely to result in an outflow of economic benefits and whose amount can be reliably estimated. If the Company anticipates that costs for which provisions have been recognised will be recovered, e.g. under an insurance agreement, any such recovery is recognised as a separate item of assets but only when it is practically certain to occur. Cost related to a given provision is recognised in profit or loss net of any recoveries. Provisions are not recognised for future operating losses.

Functional currency. Presentation of items disclosed in the financial statements

Items of the financial statements relating to the Company are measured using the primary currency of the economic environment in which the Company operates (the “functional currency”), which is the Polish zloty. Figures in the financial statements are presented in thousands of Polish zloty, unless stated otherwise.

34. Expected effect of new standards applied for the first time in the reporting period beginning on 1 January 2020

The Company's Management Board expects that the new standards will not have a significant impact on the Company's financial statements.

35. Capital management

The Company manages capital in order to ensure that it continues as a going concern and generates the expected returns for its shareholders and other entities interested in the Company’s financial standing.

The Company monitors the level of capital on an ongoing basis, based on the carrying amount of equity. The Company calculates the ratio of equity to total financing sources. The Company’s target for the ratio is not less than 0.5. As at 31 December 2019, the ratio stood at 0.88 (0.87 as at 31 December 2018).

In addition, the Company monitors the ability to service its debt and calculates the debt ratio, calculated as the ratio of net debt to total assets. Net debt comprises liabilities on account of bonds, promissory notes payable and other financial instruments less cash and cash equivalents.

Moreover, in order to maintain or adjust the capital structure, the Company may distribute dividends to shareholders, return capital to shareholders or issue new shares. In the years ended 31 December 2019 and 31 December 2018, there were no changes in the capital structure management objectives, policies and processes.

The Company aims to continuously improve the ROE and NAV/S ratios. The expected level of return on equity of the Company is approximately 15%. The Company expects to improve returns by investing its funds in assets delivering higher yields – in particular by investing in the MCI.EuroVentures 1.0 subfund which is a subfund with a relatively low risk profile and high historical returns (the average annual return on series A investment certificates of the subfund over the past 3 years is 20.8%) and an appropriate level of indebtedness of the Company. The improvement of the NAV/S ratio has been achieved through a share buy-back program, implemented gradually by the Company using its surplus funds.

36. Financial risk management

Risks to which the Company is exposed:

- liquidity risk,
- investment risk
- market risk,
- credit risk,
- risk related to the environment in which the Company operates.

The most significant risks to which the Company is exposed are presented below:

LIQUIDITY RISK

The Company identifies the following sources of funds necessary to carry out its day-to-day operations and ensure an appropriate level of liquidity:

- issue of debt securities (primarily bonds for institutional investors),
- redemption of investment certificates of funds in which MCI Capital S.A. is a participant,
- intercompany financing (under the intra-group liquidity policy – through issuing promissory notes and lending).

The primary method of raising capital by the Company are bond issues addressed to institutional customers. Until 2018, this was the Company's primary fundraising source. Since the beginning of its operations, the Company has issued bonds with a total nominal value of PLN 582 million, of which a total of PLN 480 million was redeemed by the end of 2019. In addition, in Q1 2020, the Company repaid another PLN 37m (series P), resulting in a debt balance of PLN 65 million of nominal value (series O and N) of bonds issued. In view of the current situation on the debt financing market, in particular due to the decrease in investor confidence as a result of the loss of credibility by numerous entities from the financial sector and the issuers themselves in 2019, as well as general restrictions caused by the Covid-19 pandemic, the Company believes that raising financing through the issue of bonds may be significantly difficult and even impossible in the short term.

However, MCI Capital S.A. also has an exposure of approximately PLN 1,488,358 thousand (as at 31 December 2019) in investment certificates of MCI.PrivateVentures FIZ (“**Fund**”) with separated subfunds MCI.EuroVentures 1.0. (“**EV**”) and MCI.TechVentures 1.0. (“**TV**”) (an indirect exposure through a subsidiary, MCI Fund Management Sp. z o.o, until 20 February 2020, and as of 21 February 2020 – a direct exposure as a result of acquisition of this company by MCI Capital S.A.). The Fund's Articles of Association set out the precise rules for redeeming investment certificates related to EV and TV. **As a result, MCI Capital S.A. has the power to withdraw liquid funds from EV and TV, as defined in the Fund's Articles of Association, owing to which it can predict its ability to generate liquidity at the Company level, limited only by the liquidity of the EV and TV subfunds, determined by the current market situation and the quality of management of the Fund by MCI Capital TFI S.A.** The powers resulting from the Fund's Articles of Association to redeem EV and TV investment certificates vested in MCI Capital S.A. as a participant of the Fund are presented below. These powers determine, to a significant extent, the Company's liquidity capabilities, apart from those resulting from raising external financing.

- **EV**: In accordance with the provisions of the Fund's Articles of Association, the Fund's investment certificates related to EV of the series held by MCI Capital S.A. may be redeemed at the Company's request on each last calendar day of a given calendar quarter. The only statutory limitation that affects the value of the redemption is that the redemption must not result in EV assets falling below PLN 150,000. Therefore, the Company has the statutory possibility to withdraw from the investment in the EV subfund at a specified point in time in a manner limited only by the liquidity of this subfund. MCI Capital S.A.'s indirect exposure in EV certificates as at 31 December 2019 was 99.12% (share in the subfund's net asset value). As at 31 December 2019, the net asset value of the EV subfund was PLN 1,198 million, and the value of cash/liquid assets was PLN 73 million.

- **TV**: As a result of amendments to the Fund's Articles of Association made in December 2019 with regard to TV, the redemption of all series of investment certificates related to TV is effected on the same terms. Each time a Surplus (as defined in the Fund's Articles of Association) is generated by TV, investment certificates are automatically redeemed and proceeds from this redemption are distributed to the Company and other participants in proportion to their share in TV. MCI Capital S.A.'s indirect exposure in TV certificates as at 31 December 2019 was 43.70% (share in the subfund's net asset value). In simpler terms, once TV has generated a liquidity surplus which allows it to fully repay the subfund's debts and cover its operating costs over a period of 18 months, TV will automatically redeem investment certificates and distribute the surplus calculated as indicated above to its participants, including 43.70% to MCI Capital S.A. Following the above-mentioned amendment to the Fund's Articles of Association, the TV subfund is in the process leading to the opening of liquidation, which means that for the remaining life of the subfund (set at 5 years, i.e. until 16 September 2024 with the possibility of extension by 1+1 year), TV is not making any new investments – apart from follow-up investments – and its managers focus on the most advantageous options to exit from the existing assets. The surplus liquidity obtained in this manner will be automatically distributed to the subfund's participants by means of periodic automatic redemptions of investment certificates. As at 31 December 2019, the net assets value of the TV subfund was PLN 688 million. The Surplus value published as at 31 March 2020 was PLN -172 million (negative value). In December 2019, the TV Subfund exited its investment in Frisco amounting to PLN 125 million (together with Helix Ventures Partners FIZ, of which PLN 114 million for TV) and in January 2020 – its investment in Geewa amounting to PLN 28 million. The exit from the investment in Frisco will be settled by 30 June 2020, which will have a significant impact on the liquidity position of the TV subfund.

The Company manages liquidity risk by continuous monitoring of maturities of liabilities and the amount of cash held, as well as by monitoring liquidity ratios based on balance sheet items and analysis of liquid assets in relation to cash flows – by means of regular, weekly liquidity reporting (liquidity is analysed on an ongoing basis over a 2-year horizon in relation to the current pipeline of fundraising and exit projects).

The table below presents the Company's financial liabilities by maturity as at 31 December 2019 and 31 December 2018, based on undiscounted contractual payments.

31 December 2019	On demand	Up to 3 months	From 3 to 12 months	From 1 year to 5 years	More than 5 years	Total
Lease liabilities	-	320	961	979	-	2,260
Liabilities on account of bonds	-	1,080	24,567	85,993	-	111,640
Trade and other payables	-	445	292	260	-	997
Promissory notes payable	-	-	62,986	-	-	62,986
	-	**1,845**	**88,806**	**87,232**	**-**	**177,883**

31 December 2018	On demand	Up to 3 months	From 3 to 12 months	From 1 year to 5 years	More than 5 years	Total
Liabilities on account of bonds	-	2,573	82,995	111,640	-	197,208
Trade and other payables	-	1,093	292	649	-	2,034
	-	**3,666**	**83,287**	**112,289**	**-**	**199,242**

As at 31 December 2019, the most significant components of the Company's liabilities comprised liabilities on account of bonds and liabilities under promissory notes.

As regards liabilities on account of bonds, at the beginning of March 2020 the Company redeemed early series P bonds with a nominal value of PLN 37 million. The bonds were redeemed from liquidity available throughout the Group, as well as, in part, from own funds. The other two series of bonds, i.e. series O and N, mature in June 2020 and December 2021 respectively. Series O with a nominal value of PLN 20 million will be redeemed from the funds raised from the redemption of investment certificates of MCI.CreditVentures 2.0 FIZ (in the second half of 2019, the Company redeemed all certificates held by this fund), and partially from own funds.

Liabilities under promissory notes were settled by means of a confusion (mutual offsetting) as a result of the merger of MCI Capital S.A. with its subsidiary, MCI Fund Management Sp. z o.o. (liability under promissory notes in one company and receivables from promissory notes in the other company) on 21 February 2020.

During 2019, the Company repaid its liabilities in the amount of PLN 77 million and all of them were settled in due time.

As of the date of publication of these financial statements, the total value of MCI's liabilities amounts to PLN 162 million (excluding provisions) and represents 12% of the company's equity, as a result of which debt ratios are at their lowest level over the last 5 years.

Given the above, the Company does not expect any threat to its liquidity situation in the foreseeable future, i.e. at least within the next 12 months.

INVESTMENT RISK

The essence of private equity investments is the possibility of obtaining higher rates of return through investments in projects characterised by higher risk level. Prior to making an investment, investment teams perform an in-depth analysis of the company's business plan; however, this does not necessarily ensure that the undertaking's development will meet the assumptions. If the business model of a given enterprise is not successful, it can have negative impact on the value of the investment, including loss. As a result, it may translate negatively into the Company's financial results through decrease in the valuation of investment certificates held in a given fund as a result of a decrease in the value of a given portfolio investment in which the Fund has invested.

Risk associated with valuation of managed companies with impact on the value of managed assets

As a rule, the Company has no direct exposure to other commercial companies. The investments of MCI Capital S.A. are made mainly by investing its assets in investment certificates of investment funds managed by MCI Capital TFI S.A. (the "Investment Fund Company"), whose value is determined by the Company based on the recently announced net asset value per investment certificate, taking into account events, if any, which occurred after the date of the announcement of the net asset value per investment certificate and affected the fair value. As a consequence, a change in the valuation of other commercial companies may affect the value of MCI Capital S.A.'s assets only indirectly by affecting the valuation of net assets per investment certificate of investment funds managed by the Investment Fund Company.

In accordance with the articles of association of investment funds whose investment certificates are held by the Company ("Funds"), the Investment Fund Company at least once a quarter performs a fair value measurement of the companies included in the Funds' investment portfolios, and the value of this measurement translates into the value of assets under management and the level of fees charged by the management company/Investment Fund Company. Funds commit capital for a period 5 and 10 years. The investment portfolios of the Funds include, to a significant extent, entities whose securities are not listed on the stock exchange. Thus, the liquidity of such investments is limited and profit realised through sale — typically to industry or financial investors — of the company's shares. However, there is no certainty that the Funds will find potential buyers for their investments in the future and will be able to withdraw from them while achieving the assumed rates of return. The risk of negative economic and stock exchange situation can additionally impede the possibility of performing the withdrawal or considerably limit the achievable rate of return. At the same time, not all investment projects have to be successful. There is a risk of impairment losses on companies that perform below expectations or whose financial condition suggests that this may be the case, which in turn will lead to a decrease in the value of assets under management. As a result, these events may indirectly affect the financial performance of MCI Capital S.A.

Risk associated with the structure of fund investment portfolio

Appropriate diversification, aimed at reduction of the investment risk, is crucial for portfolio creation. Investment funds whose certificates are held by MCI Capital S.A. endeavour to reduce the indicated risk by lowering the level of capital exposure in one undertaking.

At the same time, according to the information provided by the Investment Fund Company, funds are consistently pursuing geographic and sectoral diversification policies. Funds acquire shares in companies operating in Poland, but also in Central and Eastern Europe (CEE), German-speaking countries (DACH), former USSR (CIS), Turkey, and Israel. Geographic diversification allows for spreading the investment risk of Funds (the decrease in profitability through the deterioration of the economic situation in one market may be minimized due to the good situation on another market) and to benefit from the increase in value of investments in emerging markets. In addition, the Funds diversify their investments by segments of the companies whose shares are acquired by the Funds. Funds invest the investors' (including the Company's) funds in early stage companies (*venture capital*) through growth and large buyout/expansion companies.

MARKET RISK

The Company is exposed to market risk, which includes interest rate risk and currency risk.

Interest rate risk

The Company's exposure to market risk for changes in interest rates relates primarily to issued own securities (promissory notes and bonds) and bank deposits.

The Group does not hedge the interest rate risk using derivative financial instruments. The Company uses sensitivity analysis to measure the interest rate risk.

Management of interest rate risk focuses on minimising the impact of fluctuations in interest cash flows on financial assets and liabilities bearing variable rate interest.

The table below presents the carrying amounts of the Company's financial instruments exposed to the interest rate risk, by maturity.

31 December 2019

Fixed interest rate	< 1 year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Lease receivables	1,092	819	-	-	-	-	1,911
Liabilities on account of bonds	(2,789)	(42,214)	-	-	-	-	(45,003)
Lease liabilities	(1,192)	(956)	-	-	-	-	(2,148)
	(2,889)	**(42,351)**	**-**	**-**	**-**	**-**	**(45,240)**

Variable interest rate	< 1 year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Cash assets	6,501	-	-	-	-	-	6,501
Liabilities on account of bonds	(22,092)	(35,207)	-	-	-	-	(57,299)
Promissory notes payable	(61,549)	-	-	-	-	-	(61,549)
	(77,140)	**(35,207)**	**-**	**-**	**-**	**-**	**(112,347)**

31 December 2018

Fixed interest rate	< 1 year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Liabilities on account of bonds	(4,263)	(2,879)	(39,334)	-	-	-	(46,476)
	(4,263)	**(2,879)**	**(39,334)**	**-**	**-**	**-**	**(46,476)**

Variable interest rate	< 1 year	1–2 years	2-3 years	3-4 years	4-5 years	>5 years	Total
Cash assets	7,203	-	-	-	-	-	7,203
Liabilities on account of bonds	(78,236)	(20,950)	(32,767)	-	-	-	(131,953)
	(71,033)	**(20,950)**	**(32,767)**	**-**	**-**	**-**	**(124,750)**

Interest on variable-rate financial instruments is updated in periods of less than one year. Interest on fixed-rate financial instruments remains unchanged until maturity. The other financial instruments of the Company that are not included in the tables above are non-interest bearing and are therefore not subject to interest rate risk.

Sensitivity to interest rate risk

The table below presents sensitivity of the Company's profit (loss) before tax (in connection with floating-rate liabilities) to reasonably possible movements in interest rates, all other factors being equal. The effect on the Company's equity or total comprehensive income is not presented.

	Increase/decrease (percentage points)	Effect on profit or loss before tax
Year ended 31 December 2019		
PLN '000	+ 1%	(1,034)
PLN '000	- 1%	1,034
Year ended 31 December 2018		
PLN '000	+ 1%	(1,999)
PLN '000	- 1%	1,999

Currency risk

In the period from 1 January to 31 December 2019, the Company did not conclude any transactions which would expose it directly to currency risk. However, the Funds invest in currencies other than PLN. In view of the above, fluctuations of foreign exchange rates will have impact on the reported value of investments, which will decrease in the case of appreciation of PLN compared to foreign currencies in which individual investments are measured during the investment period. Changes in exchange rates, through decreases in valuation or value of income obtained in the case of sale of the investments, can decrease the value of the funds' assets and thus the value of investment certificates held by the Company. The Investment Fund Company, as far as possible, maintains the policy of securing foreign exchange risk through foreign currency adjustment of sources of funding in relation to the original investment currency

CREDIT RISK

Credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of financial assets with which the Company's credit risk is associated. These are the following assets: long-term receivables, short-term receivables, receivables from promissory notes, loans granted, cash, other financial instruments and investments in shares and investment certificates and off-balance sheet commitments, i.e. guarantees and warranties granted. A significant part of the Company's financial assets is made up of receivables and investments in related entities. The Company optimises the liquidity management process by granting loans, holding promissory note receivables and short-term receivables from related parties. The Company monitors the balance of receivables on an ongoing basis. Credit risk associated with investments in subsidiaries and affiliates, investment certificates and other financial instruments is based on the results of companies and funds and is reflected in the valuation of these investments at fair value. At the same time, the financial performance of the companies and funds is monitored by the Company on an ongoing basis. With respect to cash, in order to improve current liquidity, the Company concludes bank deposit agreements with entities with high creditworthiness and deposits the funds for short periods of time. There is no material concentration of credit risk at the Company.

The Company applies the simplified model to calculate the allowance for trade receivables. The expected credit loss on receivables from customers is calculated on recognition of receivables in the statement of financial position and is updated as at each subsequent reporting date, depending on the number of days past due for a given amount receivable.

The Company's exposure to credit risk with respect to long-term and short-term receivables is presented in the table below:

31 December 2019		*Long-term and short-term receivables*				
	Total	*Not past due*	*<30 days*	*30−60 days*	*61–90 days*	*> 91 days*
Gross value at risk	**1,708**	1,481	10	-	-	217
Loss allowance for expected credit losses	**(215)**	-	-	-	-	(215)

31 December 2018		*Long-term and short-term receivables*				
	Total	*Not past due*	*<30 days*	*30−60 days*	*61–90 days*	*> 91 days*
Gross value at risk	**3,584**	2,657	104	1	1	821
Loss allowance for expected credit losses	**(216)**	-	-	-		(216)

RISK RELATED TO THE ENVIRONMENT IN WHICH THE COMPANY OPERATES

Risk of changes in the legal, tax, regulatory and economic system

There may be changes in the legal, tax, regulatory and economic system in the environment of the Company and funds whose investment certificates are held (directly and indirectly) by the Company and their portfolio companies. These developments may adversely affect the Company's ability to operate.

Risk of downturn in the area of innovative technologies

A significant part of the funds' current investment portfolio, as well as their planned investments, is implemented in the area of innovative technologies. The economic downturn in this sector may affect the number and size of investment projects implemented by the funds, as well as their profitability, which may result in a deterioration of the Company's financial performance.