

**Consolidated Financial Statements
of Asseco South Eastern Europe Group
for the year ended 31 December 2020**



Present in
23 countries



PLN 1,026 million
in sales revenues



2,978
highly committed
employees



PLN 117 million
in net profit for
Shareholders of
the Parent Company

Consolidated Financial Statements of Asseco South Eastern Europe Group

For the year ended 31 December 2020

FINANCIAL HIGHLIGHTS	6
CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME	7
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	8
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	10
CONSOLIDATED STATEMENT OF CASH FLOWS	12
EXPLANATORY NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	13
I. GENERAL INFORMATION	13
II. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS	14
2.1. Basis for preparation	14
2.2. Compliance statement	14
2.3. Functional currency and presentation currency	15
2.4. Professional judgement and estimates	15
2.5. Accounting policies applied	15
2.6. New standards and interpretations published but not in force yet	16
2.7. Changes in the presentation methods applied	17
2.8. Corrections of material errors	17
2.9. Changes in the comparable data	17
III. ORGANIZATION AND CHANGES IN THE STRUCTURE OF ASSECO SOUTH EASTERN EUROPE GROUP, INCLUDING THE ENTITIES SUBJECT TO CONSOLIDATION	20
IV. INFORMATION ON OPERATING SEGMENTS	23
V. EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS	26
5.1. Structure of operating revenues	26
5.2. Structure of operating costs	30
5.3. Other operating income and expenses	33
5.4. Financial income and expenses	33
5.5. Corporate income tax	34
5.6. Earnings per share	36
5.7. Information on dividends paid out	36
VI. EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	37
6.1. Property, plant and equipment	37
6.2. Intangible assets	39
6.3. Right-of-use assets	42
6.4. Goodwill	43
6.5. Impairment tests	48
6.6. Other financial assets	50
6.7. Prepayments and accrued income	52
6.8. Receivables and contract assets	53
6.9. Inventories	55
6.10. Cash and cash equivalents	56
6.11. Share capital and share premium	56
6.12. Non-controlling interests	56
6.13. Lease liabilities	57
6.14. Bank loans and borrowings	59
6.15. Other financial liabilities	61
6.16. Trade payables, state budget liabilities, and other liabilities	62
6.17. Contract liabilities	63
6.18. Provisions	64
6.19. Accruals	66
6.20. Related party transactions	66

VII. EXPLANATORY NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS	69
7.1. Cash flows – investing activities	69
7.2. Cash flows – financing activities.....	69
VIII. EXPLANATORY NOTES ON OBJECTIVES AND PRINCIPLES OF FINANCIAL RISK MANAGEMENT	70
8.1. Foreign currency risk.....	70
8.2. Interest rate risk.....	72
8.3. Credit risk.....	72
8.4. Financial liquidity risk.....	73
8.5. Items of income, expenses, gains and losses recognized in the statement of profit and loss in correspondence to balance sheet items	74
IX. OTHER EXPLANATORY NOTES	75
9.1. Off-balance-sheet liabilities	75
9.2. Seasonal and cyclical business	76
9.3. Employment.....	76
9.4. Remuneration of the entity authorized to audit financial statements	76
9.5. Remuneration of the Management Board and Supervisory Board.....	77
9.6. Capital management	78
9.7. Significant events after the reporting period	78
9.8. Significant events related to prior years	78

Consolidated Financial Statements of Asseco South Eastern Europe Group for the year ended 31 December 2020

These consolidated financial statements have been approved for publication by the Management Board of Asseco South Eastern Europe S.A. on 24 February 2021.

Management Board:

Piotr Jeleński	President of the Management Board
----------------	-----------------------------------

Miljan Mališ	Member of the Management Board
--------------	--------------------------------

Marcin Rulnicki	Member of the Management Board
-----------------	--------------------------------

Kostadin Slavkoski	Member of the Management Board
--------------------	--------------------------------

Financial Highlights

Asseco South Eastern Europe Group

The following table presents the selected financial data of Asseco South Eastern Europe Group.

	12 months ended 31 Dec. 2020 PLN'000	12 months ended 31 Dec. 2019 PLN'000	12 months ended 31 Dec. 2020 EUR'000	12 months ended 31 Dec. 2019 EUR'000
Sales revenues	1,026,490	881,336	229,426	204,875
Operating profit	145,647	109,744	32,553	25,511
Pre-tax profit	141,660	109,974	31,662	25,565
Net profit for the reporting period	118,170	90,950	26,412	21,142
Net profit attributable to Shareholders of the Parent Company	116,528	89,647	26,045	20,839
Net cash provided by (used in) operating activities	204,622	158,813	45,734	36,918
Net cash provided by (used in) investing activities	(52,367)	(103,118)	(11,704)	(23,971)
Net cash provided by (used in) financing activities	(99,278)	(24,910)	(22,189)	(5,791)
Cash and cash equivalents at the end of period	249,028	199,663	53,963	46,886
Basic earnings per ordinary share for the reporting period attributable to Shareholders of the Parent Company (in PLN/EUR)	2.25	1.73	0.50	0.40
Diluted earnings per ordinary share for the reporting period attributable to Shareholders of the Parent Company (in PLN/EUR)	2.25	1.73	0.50	0.40

The selected financial data disclosed in these annual consolidated financial statements have been translated into EUR in the following way:

- items of the consolidated statement of profit and loss and consolidated statement of cash flows have been translated into EUR at the arithmetic average of mid exchange rates as published by the National Bank of Poland and in effect on the last day of each month. These exchange rates were as follows:
 - in the period from 1 January 2020 to 31 December 2020: EUR 1 = PLN 4.4742
 - in the period from 1 January 2019 to 31 December 2019: EUR 1 = PLN 4.3018
- the Group's cash and cash equivalents as at the end of the reporting period and the comparable period of the previous year have been translated into EUR at the mid exchange rates as published by the National Bank of Poland. These exchange rates were as follows:
 - exchange rate effective on 31 December 2020: EUR 1 = PLN 4.6148
 - exchange rate effective on 31 December 2019: EUR 1 = PLN 4.2585

In this report, all figures are presented in thousands of Polish zlotys (PLN), unless stated otherwise.

Consolidated Statement of Profit and Loss and Other Comprehensive Income

Asseco South Eastern Europe Group

STATEMENT OF PROFIT AND LOSS		12 months ended 31 Dec. 2020	12 months ended 31 Dec. 2019 (restated)
	Note	PLN'000	PLN'000
Operating revenues	<u>5.1</u>	1,026,490	881,336
Cost of sales	<u>5.2</u>	(764,055)	(664,009)
Allowances for trade receivables	<u>5.2</u>	83	(3,032)
Gross profit on sales		262,518	214,295
Selling costs	<u>5.2</u>	(55,543)	(53,039)
General and administrative expenses	<u>5.2</u>	(61,487)	(53,781)
Net profit on sales		145,488	107,475
Other operating income	<u>5.3</u>	2,973	4,253
Other operating expenses	<u>5.3</u>	(2,814)	(1,923)
Share of profits of associates and joint ventures		-	(61)
Operating profit		145,647	109,744
Financial income	<u>5.4</u>	8,628	6,032
Financial expenses	<u>5.4</u>	(12,615)	(5,712)
Impairment losses on financial instruments		-	(90)
Pre-tax profit		141,660	109,974
Corporate income tax (current and deferred tax expense)	<u>5.5</u>	(23,490)	(19,024)
Net profit for the reporting period		118,170	90,950
<i>Attributable to:</i>			
Shareholders of the Parent Company		116,528	89,647
Non-controlling interests		1,642	1,303
Basic consolidated earnings per share for the reporting period, attributable to shareholders of the Parent Company (in PLN)	<u>5.6</u>	2.25	1.73
Diluted consolidated earnings per share for the reporting period, attributable to shareholders of the Parent Company (in PLN)	<u>5.6</u>	2.25	1.73
OTHER COMPREHENSIVE INCOME			
Net profit for the reporting period		118,170	90,950
Components that may be reclassified to profit or loss		37,255	(15,894)
Net gain/loss on valuation of financial assets		(5)	9
Differences on foreign currency translation of subsidiaries		37,260	(15,903)
Components that will not be reclassified to profit or loss		-	-
Actuarial gains/losses		-	-
Total other comprehensive income		37,255	(15,894)
TOTAL COMPREHENSIVE INCOME attributable to:		155,425	75,056
Shareholders of the Parent Company		153,568	73,879
Non-controlling interests		1,857	1,177

Consolidated Statement of Financial Position

Asseco South Eastern Europe Group

ASSETS	Note	31 Dec. 2020 PLN'000	31 Dec. 2019 (restated) PLN'000
Non-current assets			
Property, plant and equipment	<u>6.1</u>	143,171	147,061
Intangible assets	<u>6.2</u>	22,999	23,978
Right-of-use assets	<u>6.3</u>	55,711	65,055
Investment property		599	596
Goodwill	<u>6.4</u>	575,526	532,139
Other receivables	<u>6.8</u>	821	724
Deferred tax assets	<u>5.5</u>	10,948	8,978
Other financial assets	<u>6.6</u>	5,165	4,670
Prepayments and accrued income	<u>6.7</u>	6,142	614
		821,082	783,815
Current assets			
Inventories	<u>6.9</u>	27,912	37,215
Prepayments and accrued income	<u>6.7</u>	30,991	21,746
Trade receivables	<u>6.8</u>	207,672	164,530
Contract assets	<u>6.8</u>	29,625	28,050
Corporate income tax receivable	<u>6.8</u>	2,105	1,364
Receivables from the state and local budgets	<u>6.8</u>	5,100	2,008
Other receivables	<u>6.8</u>	3,970	2,889
Other non-financial assets		3,557	10,247
Other financial assets	<u>6.6</u>	48	572
Cash and bank deposits	<u>6.10</u>	249,028	199,663
		560,008	468,284
TOTAL ASSETS		1,381,090	1,252,099

Consolidated Statement of Financial Position

Asseco South Eastern Europe Group

EQUITY AND LIABILITIES	Note	31 Dec. 2020 PLN'000	31 Dec. 2019 (restated) PLN'000
Equity <i>(attributable to shareholders of the Parent Company)</i>			
Share capital	<u>6.11</u>	518,942	518,942
Share premium	<u>6.11</u>	38,825	38,825
Transactions with non-controlling interests		(12,290)	(8,335)
Other capitals		(584)	(1,319)
Differences on foreign currency translation of subsidiaries		(82,541)	(119,586)
Retained earnings		448,260	370,134
		910,612	798,661
Non-controlling interests	<u>6.12</u>	2,460	2,051
Total equity		913,072	800,712
Non-current liabilities			
Bank loans and borrowings	<u>6.14</u>	29,139	43,255
Lease liabilities	<u>6.13</u>	39,847	47,489
Other financial liabilities	<u>6.15</u>	25,885	28,557
Deferred tax liabilities	<u>5.5</u>	2,905	3,167
Provisions	<u>6.18</u>	2,072	2,013
Contract liabilities	<u>6.17</u>	9,402	804
Other liabilities	<u>6.16</u>	4,087	494
		113,337	125,779
Current liabilities			
Bank loans and borrowings	<u>6.14</u>	30,145	49,742
Lease liabilities	<u>6.13</u>	18,995	18,923
Other financial liabilities	<u>6.15</u>	21,190	13,879
Trade payables	<u>6.16</u>	111,830	109,977
Contract liabilities	<u>6.17</u>	74,087	58,707
Corporate income tax payable	<u>6.16</u>	7,986	5,738
Liabilities to the state and local budgets	<u>6.16</u>	35,062	24,231
Other liabilities	<u>6.16</u>	27,184	19,247
Provisions	<u>6.18</u>	3,451	2,847
Accruals	<u>6.19</u>	24,751	22,317
		354,681	325,608
TOTAL LIABILITIES		468,018	451,387
TOTAL EQUITY AND LIABILITIES		1,381,090	1,252,099

Consolidated Statement of Changes in Equity

Asseco South Eastern Europe Group

	Note	Share capital	Share premium	Transactions with non-controlling interests	Other capitals	Differences on foreign currency translation of subsidiaries	Retained earnings and current net profit	Equity attributable to shareholders of the Parent Company	Non-controlling interests	Total equity
		PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
As at 1 January 2020		518,942	38,825	(8,335)	(1,319)	(119,586)	370,134	798,661	2,051	800,712
Net profit for the reporting period		-	-	-	-	-	116,528	116,528	1,642	118,170
Other comprehensive income for the reporting period		-	-	-	(5)	37,045	-	37,040	215	37,255
Total comprehensive income for the reporting period		-	-	-	(5)	37,045	116,528	153,568	1,857	155,425
Share-based payment transactions with employees		-	-	-	740	-	-	740	-	740
Obtaining control over subsidiaries	6.4	-	-	-	-	-	-	-	114	114
Increase of share capital in subsidiaries		-	-	-	-	-	-	-	-	-
Transactions with non-controlling interests (including contingent financial liabilities to non-controlling shareholders (put options))		-	-	(3,955)	-	-	-	(3,955)	(1,100)	(5,055)
Dividend for the year 2019	5.7	-	-	-	-	-	(38,402)	(38,402)	(462)	(38,864)
As at 31 December 2020		518,942	38,825	(12,290)	(584)	(82,541)	448,260	910,612	2,460	913,072

Consolidated Statement of Changes in Equity

AssecO South Eastern Europe Group

	Note	Share capital	Share premium	Transactions with non-controlling interests	Other capitals	Differences on foreign currency translation of subsidiaries	Retained earnings and current net profit	Equity attributable to shareholders of the Parent Company	Non-controlling interests	Total equity
		PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
As at 1 January 2019		518,942	38,825	(1,887)	3,153	(103,809)	308,201	763,425	1,664	765,089
Impact of the adoption of IFRS 16		-	-	-	-	-	(729)	(729)	-	(729)
As at 1 January 2019 (including impact of the adoption of IFRS 16)		518,942	38,825	(1,887)	3,153	(103,809)	307,472	762,696	1,664	764,360
Net profit for the reporting period		-	-	-	-	-	89,647	89,647	1,303	90,950
Other comprehensive income for the reporting period		-	-	-	9	(15,777)	-	(15,768)	(126)	(15,894)
Total comprehensive income for the reporting period		-	-	-	9	(15,777)	89,647	73,879	1,177	75,056
Share-based payment transactions with employees		-	-	-	2,094	-	-	2,094	-	2,094
Obtaining control over subsidiaries	<u>6.4</u>	-	-	-	(6,575)	-	-	(6,575)	8,914	2,339
Increase of share capital in subsidiaries		-	-	-	-	-	-	-	1,119	1,119
Transactions with non-controlling interests (including contingent financial liabilities to non-controlling shareholders (put options))		-	-	(6,448)	-	-	-	(6,448)	(10,371)	(16,819)
Dividend for the year 2018	<u>5.7</u>	-	-	-	-	-	(26,985)	(26,985)	(452)	(27,437)
As at 31 December 2019 (restated)		518,942	38,825	(8,335)	(1,319)	(119,586)	370,134	798,661	2,051	800,712

Consolidated Statement of Cash Flows

Asseco South Eastern Europe Group

	Note	12 months ended 31 Dec. 2020	12 months ended 31 Dec. 2019 (restated)
		PLN'000	PLN'000
Cash flows – operating activities			
Pre-tax profit		141,660	109,974
Total adjustments:		87,115	65,837
Depreciation and amortization	5.2	77,284	66,143
Change in inventories		13,558	(7,519)
Change in receivables and other non-financial assets		(37,239)	(21,589)
Change in liabilities, accruals and provisions		18,139	21,064
Interest income/expenses		3,635	3,316
Gain/loss on foreign currency translation differences		1,497	(122)
Other financial income/expenses		3,105	(656)
Gain/loss on sale, disposal and impairment of property, plant and equipment, and intangible assets		6,069	3,035
Costs of share-based payment transactions with employees		740	2,094
Other adjustments to pre-tax profit		327	71
Cash provided by (used in) operating activities		228,775	175,811
Corporate income tax paid		(24,153)	(16,998)
Net cash provided by (used in) operating activities		204,622	158,813
Cash flows – investing activities			
Inflows			
Disposal of property, plant and equipment, and intangible assets		1,718	1,401
Disposal/settlement of financial assets carried at fair value through profit or loss		8	140
Disposal of investments in other debt securities carried at amortized cost (cash deposits)		543	3,500
Loans collected		17	225
Interest received		2	41
Dividends received		1	1
Outflows			
Acquisition of property, plant and equipment, and intangible assets (including R&D expenditures)	7.1	(35,563)	(55,616)
Expenditures for the acquisition of subsidiaries and associates, less cash and cash equivalents in subsidiaries acquired	7.1	(18,690)	(45,388)
Acquisition/settlement of financial assets carried at fair value through profit or loss		(365)	(46)
Acquisition of investments in other debt securities carried at amortized cost (cash deposits)		-	(4,549)
Loans granted		(38)	(2,827)
Other cash flows from investing activities		-	-
Net cash provided by (used in) investing activities		(52,367)	(103,118)
Cash flows – financing activities			
Inflows			
Proceeds from non-controlling shareholders due to issuance of shares in subsidiaries		-	1,119
Proceeds from bank loans and borrowings	7.2	9,939	54,477
Outflows			
Repayments of bank loans and borrowings	7.2	(42,822)	(32,606)
Payments of lease liabilities	7.2	(23,656)	(17,230)
Interest paid	7.2	(3,627)	(3,233)
Dividends paid out by the Parent Company	7.2	(38,402)	(26,985)
Dividends paid out to non-controlling shareholders	7.2	(710)	(452)
Net cash provided by (used in) financing activities		(99,278)	(24,910)
Net increase (decrease) in cash and cash equivalents		52,977	30,785
Net foreign currency translation differences		5,222	(4,963)
Net cash and cash equivalents as at 1 January		190,661	164,839
Net cash and cash equivalents as at 31 December	6.10	248,860	190,661

Explanatory Notes to the Consolidated Financial Statements

I. General information

Asseco South Eastern Europe Group ("ASEE Group", "Group", "ASEE") is a group of companies, the Parent Company of which is Asseco South Eastern Europe S.A. ("Parent Company", "ASEE S.A.", "Company", "Issuer") seated at 14 Olchowa St., Rzeszów, Poland.

General information on the Parent Company

Name	Asseco South Eastern Europe S.A.
Seat	Rzeszów, 14 Olchowa St.
National Court Register number	0000284571
Statistical ID number (REGON)	180248803
Tax Identification Number (NIP)	813-351-36-07
Core business	Activities of head offices and holdings, production of software

The Parent Company Asseco South Eastern Europe S.A. based in Rzeszów, Poland, was established on 10 April 2007 as a joint stock company called Asseco Adria S.A. On 11 July 2007, the Company was entered in the register of entrepreneurs maintained by the District Court in Rzeszów, XII Commercial Department of the National Court Register, under the number KRS 0000284571. The Parent Company has been assigned the statistical number REGON 180248803. On 11 February 2008, the Parent Company's corporate name was changed from Asseco Adria S.A. to Asseco South Eastern Europe S.A.

Since 28 October 2009, the Company's shares have been listed on the main market of the Warsaw Stock Exchange S.A.

ASEE S.A. is the Parent Company of Asseco South Eastern Europe Group. The Parent Company shall operate within the territory of the Republic of Poland as well as abroad. The time of duration of both the Parent Company and the entities incorporated in the Group is indefinite.

Asseco South Eastern Europe Group is engaged in the sale of its own and third-party software as well as in the provision of implementation, integration and outsourcing services. The Group is a provider of IT solutions, authentication solutions, online payment settlement systems, while it is also engaged in the sale, outsourcing and maintenance of ATMs and POS terminals, and provides integration and implementation services for IT systems and hardware. The Group conducts business operations in the countries of Central Europe, South Eastern Europe, Iberian Peninsula, as well as in Turkey, Colombia, Peru, and Dominican Republic.

The scope of Asseco South Eastern Europe Group's core business broken down by relevant segments is described in section IV of these consolidated financial statements.

These consolidated financial statements cover the year ended 31 December 2020 and contain comparable data for the year ended 31 December 2019.

II. Basis for the preparation of financial statements

2.1. Basis for preparation

These consolidated financial statements have been prepared in accordance with the historical cost convention, except for financial assets carried at fair value through profit or loss or through other comprehensive income, financial assets carried at amortized cost, as well as financial liabilities carried at fair value through profit or loss.

These consolidated financial statements have been prepared on a going-concern basis, assuming the Group will continue its business activities in the foreseeable future. Till the date of preparing these consolidated financial statements, we have not observed any circumstances that would threaten the Group's ability to continue as a going concern.

The scope of these consolidated financial statements is in accordance with the Regulation of the Minister of Finance of 29 March 2018 regarding current and periodic information to be published by issuers of securities and conditions for recognizing as equivalent the information required by laws of non-EU member states (consolidated text: Journal of Laws of 2018, item 757) ("Regulation"), and covers the annual reporting period from 1 January to 31 December 2020, as well as the comparable period from 1 January to 31 December 2019.

Impact of the COVID-19 epidemic on the Group's business operations

As at the date of publication of these annual consolidated financial statements, based on the current analysis of risks and in particular those arising from the coronavirus pandemic prevailing in Poland and worldwide, the Management Board concluded that the Company's and ASEE Group's ability to continue as a going concern over a period not shorter than 12 months from 31 December 2020 is not threatened.

At the time of publication of these annual consolidated financial statements, the Group's Management Board does not see any significant threats to the business operations of ASEE Group. Our Management is monitoring the pandemic-related situation on an ongoing basis and takes due business decisions in response to the changing circumstances. The Group is trying to minimize the negative impact of the pandemic on its business, among others, by reducing costs, while monitoring and taking advantage of new market opportunities created by the current situation. The Management Board of ASEE does not see any significant risk of impairment of assets and has not recorded any significant change in credit risk. ASEE Group has sufficient financial resources to continue its business operations, including the settlement of current liabilities.

Concurrently, it should be noted that the situation related to the COVID-19 coronavirus pandemic is very dynamic and its effects on the economy are difficult to estimate, hence the above judgement has been prepared to the best knowledge of the Company's Management as at the date of publication of this report.

Description of the impact exerted by the COVID-19 coronavirus pandemic on our business operations is provided in the Management Report on Operations of ASEE Group for the year ended 31 December 2020, in the item 'Impact of the COVID-19 coronavirus pandemic on the business of ASEE and Payten'.

2.2. Compliance statement

These consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards ("IFRS") as endorsed by the European Union ("EU IFRS").

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

As at the date of approving publication of these financial statements, given the ongoing process of implementing IFRS in the European Union as well as the Group's operations, in the scope of accounting policies applied by the Group there is no difference between IFRS that came into force and IFRS endorsed by the EU.

Some of the Group companies maintain their accounting books in accordance with the accounting policies set forth in their respective local regulations. The consolidated financial statements include adjustments not disclosed in the accounting books of the Group's entities, which were introduced to adjust the financial statements of those entities to IFRS.

2.3. Functional currency and presentation currency

The presentation currency of these consolidated financial statements is the Polish zloty (PLN) and all figures are presented in thousands of PLN (PLN'000), unless stated otherwise. Any inaccuracies in totals, amounting to PLN 1 thousand, are due to the adopted rounding of numbers.

The functional currency applied by the Parent Company and, at the same time, the presentation currency used in these consolidated financial statements is the Polish zloty (PLN). Functional currencies applied by our subsidiaries consolidated in these financial statements are the currencies of primary business environments in which they operate. For consolidation purposes, financial statements of our foreign subsidiaries are translated into PLN using the respective currency exchange rates as quoted by the National Bank of Poland at the end of the reporting period in case of the statement of financial position, or using the arithmetic average of such exchange rates as published by the National Bank of Poland and effective on the last day of each month during the reporting period in case of the statement of comprehensive income as well as the statement of cash flows. The effects of such conversion are recognized in equity as 'Differences on foreign currency translation of subsidiaries'.

2.4. Professional judgement and estimates

Preparation of consolidated financial statements in accordance with IFRS requires making estimates and assumptions which have an impact on the data disclosed in such financial statements. Although the adopted assumptions and estimates have been based on the Group's management best knowledge on the current activities and occurrences, the actual results may differ from those anticipated.

In relevant explanatory notes, we disclosed the main areas which in the process of applying the accounting policies were subject to accounting estimates and professional judgement made by our management, and whose estimates, if changed, could significantly affect the Group's financial data to be presented in these notes in the future.

In the period of 12 months ended 31 December 2020, our approach to making estimates was not subject to any substantial modification in relation to the comparable period of 2019.

2.5. Accounting policies applied

The table below provides a list of selected accounting policies along with explanatory notes in which they have been presented.

Selected accounting policies	Note	Page number
Sales revenues	<u>5.1</u>	26
Operating costs	<u>5.2</u>	30
Other operating activities	<u>5.3</u>	33
Financial income and expenses	<u>5.4</u>	33
Corporate income tax	<u>5.5</u>	34
Earnings per share	<u>5.6</u>	36
Property, plant and equipment	<u>6.1</u>	37
Intangible assets	<u>6.2</u>	39
Right-of-use assets	<u>6.3</u>	42
Goodwill	<u>6.4</u>	43
Impairment testing	<u>6.5</u>	48
Other financial assets	<u>6.6</u>	50
Prepayments and accrued income	<u>6.7</u>	52
Receivables and contract assets	<u>6.8</u>	53
Inventories	<u>6.9</u>	55
Cash and cash equivalents	<u>6.10</u>	56
Share capital	<u>6.11</u>	56
Non-controlling interests	<u>6.12</u>	56
Lease liabilities	<u>6.13</u>	57
Bank loans and borrowings	<u>6.14</u>	59
Other financial liabilities	<u>6.15</u>	61
Trade payables and other liabilities	<u>6.16</u>	62
Contract liabilities	<u>6.17</u>	63
Provisions	<u>6.18</u>	64
Accruals	<u>6.19</u>	66

The accounting policies adopted in the preparation of these consolidated financial statements have remained unchanged in relation to those followed when preparing the Group's annual consolidated financial statements for the year ended 31 December 2019.

2.6. New standards and interpretations published but not in force yet

The following standards and interpretations were issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC), but have not yet come into force:

- IFRS 14 'Regulatory Deferral Accounts' (issued on 30 January 2014) – the European Commission has decided not to initiate the process of endorsement of this standard until the release of its final version – not yet endorsed by the EU till the date of approval of these financial statements – 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 for the endorsement of these amendments has been postponed by the EU – the effective date of these amendments has been deferred indefinitely by the IASB;
- IFRS 17 'Insurance Contracts' (issued on 18 May 2017) and amendments to IFRS 17 (issued on 25 June 2020) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2023;
- Amendments to IAS 1 'Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current' and 'Classification of Liabilities as Current or Non-current – Deferral of Effective Date' (issued on 23 January 2020 and 15 July 2020, respectively) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2023;
- Amendments to IFRS 3 'Reference to the Conceptual Framework' (issued on 14 May 2020) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 16 'Property, Plant and Equipment – Proceeds before Intended Use' (issued on 14 May 2020) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 37 'Onerous Contracts – Cost of Fulfilling a Contract' (issued on 14 May 2020) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2022;
- Annual Improvements to IFRS Standards 2018-2020 (issued on 14 May 2020) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2022;
- Amendments to IFRS 4 'Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9' (issued on 25 June 2020) – effective for annual periods beginning on or after 1 January 2021;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 'Interest Rate Benchmark Reform – Phase 2' (issued on 27 August 2020) – effective for annual periods beginning on or after 1 January 2021.

The specified effective dates have been set forth in the standards published by the International Accounting Standards Board. The actual dates of adopting these standards in the European Union may differ from those set forth in the standards and they shall be announced once they are approved for application by the European Union.

The Group did not decide on early adoption of any standard, interpretation or amendment which has been published but has not yet become effective.

The Group is currently conducting an analysis of how the above-mentioned amendments are going to impact its financial statements.

2.7. Changes in the presentation methods applied

During the reporting period, the methods of presentation were not subject to any change.

2.8. Corrections of material errors

In the reporting period, no events occurred that would require making corrections of any misstatements.

2.9. Changes in the comparable data

The Group has changed the comparable data disclosed as at 31 December 2019 as well as for the period of 12 months ended 31 December 2020 due to changes in the values of assets acquired in subsidiaries that were recognized in the purchase price allocation process.

The detailed information on the acquired assets and liabilities has been presented in explanatory note 6.4 to these annual consolidated financial statements.

The impact of the said changes on the comparable data has been presented in the tables below.

STATEMENT OF PROFIT AND LOSS	12 months ended 31 Dec. 2019 PLN'000	Purchase price allocation of subsidiaries PLN'000	12 months ended 31 Dec. 2019 (restated) PLN'000
Operating revenues	881,336	-	881,336
Cost of sales	(663,553)	(456)	(664,009)
Allowances for trade receivables	(3,032)	-	(3,032)
Gross profit on sales	214,751	(456)	214,295
Selling costs	(53,039)	-	(53,039)
General and administrative expenses	(53,781)	-	(53,781)
Net profit on sales	107,931	(456)	107,475
Other operating income	4,253	-	4,253
Other operating expenses	(1,923)	-	(1,923)
Share of profits of associates and joint ventures	(61)	-	(61)
Operating profit	110,200	(456)	109,744
Financial income	6,032	-	6,032
Financial expenses	(5,712)	-	(5,712)
Impairment losses on financial instruments	(90)	-	(90)
Pre-tax profit	110,430	(456)	109,974
Corporate income tax (current and deferred tax expense)	(19,108)	84	(19,024)
Net profit for the reporting period	91,322	(372)	90,950
Attributable to:			-
Shareholders of the Parent Company	89,989	(342)	89,647
Non-controlling interests	1,333	(30)	1,303
Basic and diluted consolidated earnings per share for the reporting period, attributable to shareholders of the Parent Company (in PLN)	1.73	-	1.73
OTHER COMPREHENSIVE INCOME			
Net profit for the reporting period	91,322	(372)	90,950
Components that may be reclassified to profit or loss	(15,883)	(11)	(15,894)
Net gain/loss on valuation of financial assets	9	-	9
Differences on foreign currency translation of subsidiaries	(15,892)	(11)	(15,903)
Components that will not be reclassified to profit or loss	-	-	-
Actuarial gains/losses	-	-	-
Total other comprehensive income	(15,883)	(11)	(15,894)
TOTAL COMPREHENSIVE INCOME attributable to:	75,439	(383)	75,056
Shareholders of the Parent Company	74,221	(342)	73,879
Non-controlling interests	1,218	(41)	1,177

	31 Dec. 2019	Purchase price allocation of subsidiaries	31 Dec. 2019
ASSETS			(restated)
	PLN'000	PLN'000	PLN'000
Non-current assets			
Property, plant and equipment	147,061	-	147,061
Intangible assets	14,120	9,858	23,978
Right-of-use assets	65,055	-	65,055
Investment property	596	-	596
Goodwill	539,665	(7,526)	532,139
Other receivables	724	-	724
Deferred tax assets	8,978	-	8,978
Other financial assets	4,670	-	4,670
Prepayments and accrued income	614	-	614
	781,483	2,332	783,815
Current assets			
Inventories	37,215	-	37,215
Prepayments and accrued income	21,746	-	21,746
Trade receivables	164,530	-	164,530
Contract assets	28,050	-	28,050
Corporate income tax receivable	1,364	-	1,364
Receivables from the state and local budgets	2,008	-	2,008
Other receivables	2,889	-	2,889
Other non-financial assets	10,247	-	10,247
Other financial assets	572	-	572
Cash and bank deposits	199,663	-	199,663
	468,284	-	468,284
TOTAL ASSETS	1,249,767	2,332	1,252,099

	31 Dec. 2019	Purchase price allocation of subsidiaries	31 Dec. 2019
EQUITY AND LIABILITIES			(restated)
	PLN'000	PLN'000	PLN'000
Equity <i>(attributable to shareholders of the Parent Company)</i>			
Share capital	518,942	-	518,942
Share premium	38,825	-	38,825
Transactions with non-controlling interests	(9,186)	851	(8,335)
Other capitals	(1,319)	-	(1,319)
Differences on foreign currency translation of subsidiaries	(119,586)	-	(119,586)
Retained earnings	370,476	(342)	370,134
	798,152	509	798,661
Non-controlling interests	2,051	-	2,051
Total equity	800,203	509	800,712
Non-current liabilities			
Bank loans and borrowings	43,255	-	43,255
Lease liabilities	47,489	-	47,489
Other financial liabilities	28,557	-	28,557
Deferred tax liabilities	1,344	1,823	3,167
Provisions	2,013	-	2,013
Contract liabilities	804	-	804
Other liabilities	494	-	494
	123,956	1,823	125,779
Current liabilities			
Bank loans and borrowings	49,742	-	49,742
Lease liabilities	18,923	-	18,923

Other financial liabilities	13,879	-	13,879
Trade payables	109,977	-	109,977
Contract liabilities	58,707	-	58,707
Corporate income tax payable	5,738	-	5,738
Liabilities to the state and local budgets	24,231	-	24,231
Other liabilities	19,247	-	19,247
Provisions	2,847	-	2,847
Accruals	22,317	-	22,317
	325,608	-	325,608
TOTAL LIABILITIES	449,564	1,823	451,387
TOTAL EQUITY AND LIABILITIES	1,249,767	2,332	1,252,099

12 months ended 31 Dec. 2019	Banking Solutions	Payment Solutions	Dedicated Solutions	Change – Banking Solutions	Change – Payment Solutions	Change – Dedicated Solutions	Banking Solutions	Payment Solutions (restated)	Dedicated Solutions
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Sales to external customers	187,909	368,041	325,386	-	-	-	187,909	368,041	325,386
Gross profit on sales	69,842	97,585	47,324	-	(456)	-	69,842	97,129	47,324
Selling costs	(13,629)	(20,593)	(18,817)	-	-	-	(13,629)	(20,593)	(18,817)
General and administrative expenses	(17,019)	(23,084)	(13,678)	-	-	-	(17,019)	(23,084)	(13,678)
Net profit on sales	39,194	53,908	14,829	-	(456)	-	39,194	53,452	14,829
Other operating activities	4	1,486	840	-	-	-	4	1,486	840
Share of profits of associates	-	(61)	-	-	-	-	-	(61)	-
Operating profit	39,198	55,333	15,669	-	(456)	-	39,198	54,877	15,669
				-	-	-			
Goodwill as at 31 December 2019	194,903	173,419	171,343	-	(7,526)	-	194,903	165,893	171,343

III. Organization and changes in the structure of Asseco South Eastern Europe Group, including the entities subject to consolidation

Selected accounting policies

Consolidation rules

These consolidated financial statements of ASEE Group encompass assets, liabilities and equity, revenues and costs, as well as cash flows of the Parent Company – ASEE S.A. and entities remaining under its control (subsidiaries).

Annual financial statements of our subsidiaries, after being adjusted to comply with IFRS, are prepared for the same reporting period as adopted by the Parent Company and using consistent accounting treatment of similar transactions and economic activities. Any discrepancies in the applied accounting policies are eliminated by making appropriate adjustments.

All significant outstanding settlements and transactions between the Group companies, including unrealized profits resulting from transactions within the Group, have been fully eliminated. All unrealized losses are eliminated as well, except for impairment losses.

Subsidiaries are subject to consolidation from the date the Group obtains control over such entities until such control ceases. The Parent Company controls a subsidiary only when it: (i) has power over a given entity, (ii) is exposed, or has rights, to variable returns from its involvement with a given entity, and (iii) has the ability to use power over a given entity to affect the amount of generated returns.

In a situation when the Group holds less than a majority of voting rights in a given entity, but it is sufficient to unilaterally direct the relevant activities of such entity, then the control is exercised.

Subsidiaries are consolidated for the period in which they were controlled by the Group (from the beginning of such control to its end). Should the Group lose control over a subsidiary company, the consolidated financial statements shall include the results of such subsidiary for the part of the year during which it was controlled by the Group. Acquisitions of subsidiaries are accounted for using the full consolidation method.

Any changes in equity interest / voting rights in a subsidiary that do not result in a loss of control are accounted for as capital transactions. In such events, in order to reflect changes in the ownership of a respective subsidiary, the Group shall adjust the carrying value of controlling interests and non-controlling interests. Any differences between the change in non-controlling interests and the fair value of consideration paid or received are recognized directly in equity (transactions with non-controlling interests) and attributed to the owners of the Parent Company.

Combinations of businesses under common control

A business combination involving business entities under common control is a business combination whereby all of the combining business entities are ultimately controlled by the same party or parties, both before and after the business combination, and that control is not transitory.

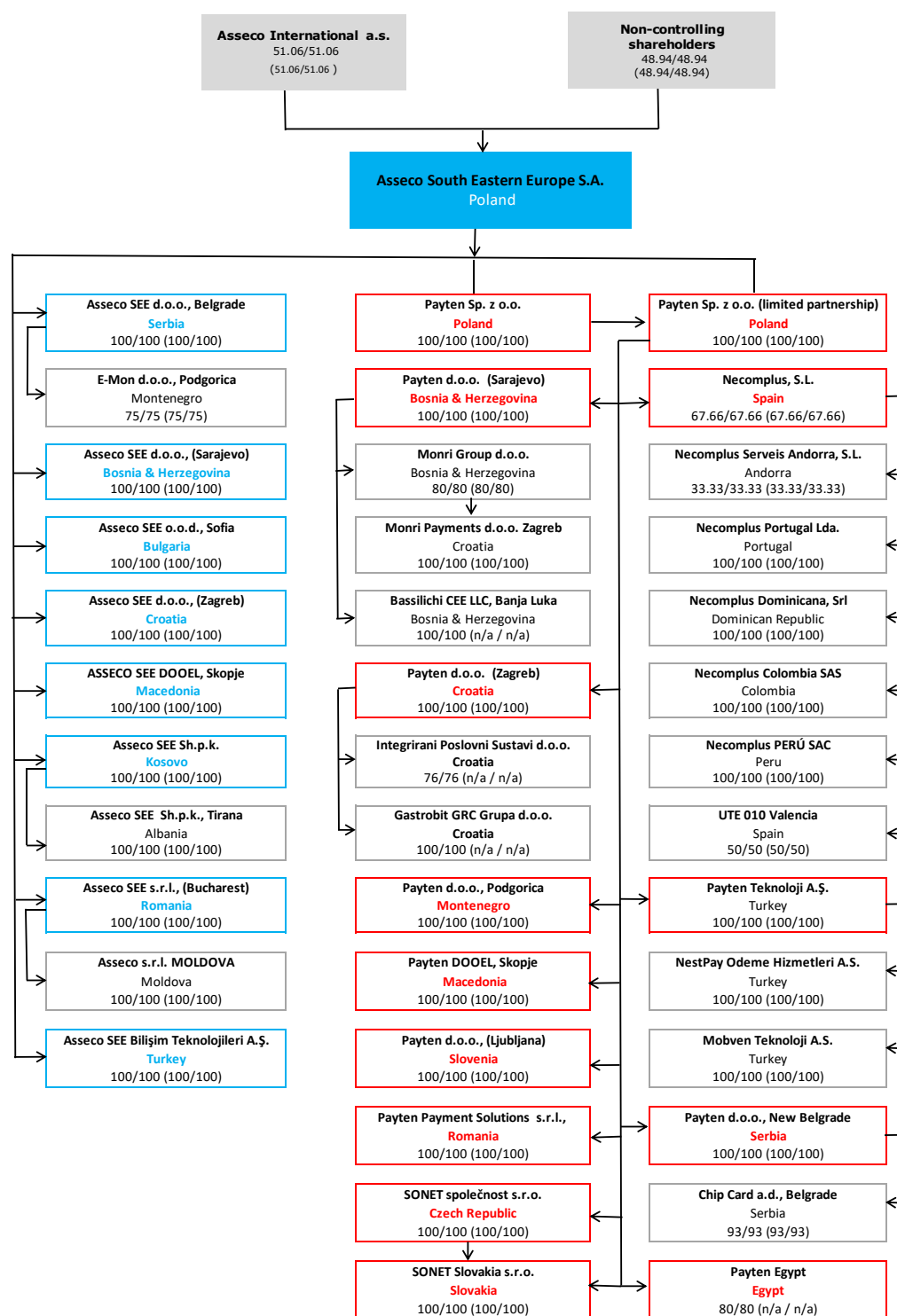
This refers in particular to transactions such as a transfer of companies or ventures between individual companies within the Group, or a merger of the Parent Company with its subsidiary.

In the event of a business combination in which an investment in one subsidiary is contributed to another subsidiary or in which two subsidiaries of ASEE S.A. are combined, the carrying value of our investment in the acquiree subsidiary is only transferred at the level of standalone financial statements. Hence, a takeover of one subsidiary by another subsidiary has no impact on the Group's financial results whatsoever.

The effects of combinations of businesses under common control are accounted for by the Group by the pooling of interests method, assuming that:

- assets and liabilities of the combining business entities are measured at their carrying values as disclosed in the Group's consolidated financial statements. This means that goodwill previously recognized in the consolidated financial statements as well as any other intangible assets recognized in the merger accounting process are transferred to the standalone financial statements, and at the consolidated level there is no fair value remeasurement of net assets as at the transaction date;
- merger-related transaction costs are expensed in the statement of profit and loss (financial expenses);
- mutual balances of accounts receivable/ payable are eliminated;
- any difference between the purchase price paid or transferred and the value of net assets acquired (at their carrying values disclosed in the consolidated financial statements) shall be recognized in equity of the acquirer (such amounts recognized in equity are not included in reserve capital, and therefore they are not distributable);
- the statement of profit and loss presents the financial results of both combined entities from the date when their merger was effected; whereas, the results for earlier reporting periods are not restated.

Organizational structure of Asseco South Eastern Europe Group is presented in the chart below:



100/100 voting rights / equity interest as at 31 December 2020 (in %)
(100/100) voting rights / equity interest as at 31 December 2019 (in %)

During the period of 12 months ended 31 December 2020, the Group's composition changed as follows:

- ***Acquisition of shares in Bassilichi CEE LLC based in Banja Luka***

On 20 January 2020, Payten d.o.o. (Sarajevo) acquired 100% of shares in the company Bassilichi CEE LLC based in Banja Luka.

- ***Establishing of a new company Payten Egypt***

The establishment of Payten Egypt, based in Giza, was registered on 26 January 2020. 80% of shares in this company were acquired by Payten Sp. z o.o. sp.k.

- ***Transfer of shares in Payten Teknoloji A.Ş.***

On 20 March 2020, ASEE S.A. made a non-cash contribution to Payten Sp. z o.o. sp.k. of shares in the company Payten Teknoloji A.Ş. This transaction consisted in making a contribution of our investment in one subsidiary to another subsidiary company of ASEE S.A. and therefore it had no impact on the financial position and financial results of the Group.

- ***Acquisition of shares in Integrirani Poslovni Sustavi d.o.o., based in Oroslavje***

On 4 June 2020, Payten d.o.o. Zagreb signed an agreement to acquire 76% of shares in the company Integrirani Poslovni Sustavi d.o.o., based in Oroslavje.

- ***Transfer of shares in Payten d.o.o., New Belgrade***

On 26 June 2020, ASEE S.A. made a non-cash contribution to Payten Sp. z o.o. sp.k. of shares in the company Payten d.o.o., New Belgrade. This transaction consisted in making a contribution of our investment in one subsidiary to another subsidiary company of ASEE S.A. and therefore it had no impact on the financial position and financial results of the Group.

- ***Acquisition of shares in Gastrobit***

On 23 July 2020, Payten d.o.o. Zagreb signed an agreement to acquire 100% of shares in the company Gastrobit – GRC Grupa d.o.o., based in Dugo Selo.

- ***Merger of Bassilichi CEE d.o.o., Belgrade with Payten d.o.o, New Belgrade***

The merger of Bassilichi CEE d.o.o., Belgrade (the acquired company) with Payten d.o.o, New Belgrade (the taking-over company) was registered on 2 November 2020.

- ***Merger of Payten d o.o. Podgorica with B Services d o.o. Podgorica***

The merger of Payten d o.o. Podgorica (the taking-over company) with B Services d o.o. Podgorica (the acquired company) was registered on 31 December 2020.

IV. Information on operating segments

According to IFRS 8, an operating segment is a separable component of the Group's business for which separate financial information is available and regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Asseco South Eastern Europe Group has identified the following reportable segments reflecting the structure of its business operations:

- a) Banking Solutions,
- b) Payment Solutions,
- c) Dedicated Solutions (formerly Systems Integration).

Banking Solutions

The Banking Solutions segment portfolio includes the omnichannel solution designed to distribute banking products and services over new, alternative distribution channels and to improve business relations and communication with the customer, as well as integrated core banking systems based on the Oracle and Microsoft platforms. This segment also offers authentication security solutions, reporting systems for regulatory compliance and managerial information, as well as risk management and anti-fraud systems. The Group also offers its clients online 24x7 services and consultancy in the area of digital banking and digital transformation.

Payment Solutions

This segment provides complete payment industry solutions, for financial and non-financial institutions, supporting card and card-less transactions. The product portfolio of ASEE includes solutions for e-Commerce (NestPay®, MSU, Paratika), mobile payments (mPOS, HCE), payment card processing, as well as services related to ATMs and POS terminals. The Group delivers software, services including outsourcing and equipment, providing the highest level of expertise, maintenance and support through the entire portfolio. This segment also operates an independent network of ATMs under the brand name of MoneyGet. Furthermore, the segment offers comprehensive point-of-sale solutions that help merchants reduce the number of vendors and increase recurring revenues, including SinglePOS service enabling merchants to replace two or more EFT POS terminals at point of sale with a single device connected to a number of acquirers (usually banks) and ECR (Electronic Cash Registers).

Dedicated Solutions

The Dedicated Solutions segment serves the sectors of finance, industry and public administration with the following business lines: development of IT infrastructure, implementation and support services, ensuring continuity of business processes, automation of operations, and customized software development. This segment also includes a group of proprietary solutions of ASEE. Such solutions include the Live multi-functional customer service and sales support platform, ABC content management solution, as well as the Fidelity asset lifecycle management solution. Furthermore, the product portfolio of the Dedicated Solutions segment includes LeaseFlex, a fully-fledged lease and asset lifecycle management solution, and document management solutions (BPM).

The Group's financing activities as well as income taxes are monitored at the whole group level and therefore they are not allocated to individual operating segments. The Management also does not analyze assets and liabilities or cash flows in a breakdown to segments. The table below presents the key financial information reviewed by the chief operating decision maker in the Company.

Revenues from none of our clients exceeded 10% of total sales generated by the Group in the period of 12 months ended 31 December 2020.

Selected financial data for the period of 12 months ended 31 December 2020, in a breakdown to operating segments:

12 months ended 31 Dec. 2020	Banking Solutions PLN'000	Payment Solutions PLN'000	Dedicated Solutions PLN'000	Eliminations PLN'000	Total PLN'000
Sales revenues:	226,672	482,241	364,473	(46,896)	1,026,490
Sales to external customers	207,667	460,044	358,779		1,026,490
Sales between and/or within segments	19,005	22,197	5,694	(46,896)	-
Gross profit on sales	84,017	120,678	57,823	-	262,518
Selling costs	(13,376)	(24,030)	(18,137)	-	(55,543)
General and administrative expenses	(17,411)	(30,689)	(13,387)	-	(61,487)
Net profit on sales	53,230	65,959	26,299	-	145,488
Other operating activities	(189)	(148)	496	-	159
Share of profits of associates	-	-	-	-	-
Operating profit	53,041	65,811	26,795	-	145,647
Goodwill	207,063	188,768	179,695	-	575,526

12 months ended 31 Dec. 2020	Banking Solutions EUR'000	Payment Solutions EUR'000	Dedicated Solutions EUR'000	Eliminations EUR'000	Total EUR'000
Sales revenues:	50,663	107,783	81,462	(10,482)	229,426
Sales to external customers	46,415	102,822	80,189	-	229,426
Sales between and/or within segments	4,248	4,961	1,273	(10,482)	-
Gross profit on sales	18,778	26,972	12,924	-	58,674
Selling costs	(2,990)	(5,371)	(4,053)	-	(12,414)
General and administrative expenses	(3,891)	(6,859)	(2,993)	-	(13,743)
Net profit on sales	11,897	14,742	5,878	-	32,517
Other operating activities	(42)	(33)	111	-	36
Share of profits of associates	-	-	-	-	-
Operating profit	11,855	14,709	5,989	-	32,553
Goodwill	44,869	40,905	38,939	-	124,713

The financial results presented above have been converted at the average exchange rate in the period of 12 months ended 31 December 2020: EUR 1 = PLN 4.4742, whereas the financial position data have been converted at the exchange rate effective as at 31 December 2020: EUR 1 = PLN 4.6148.

Selected financial data for the period of 12 months ended 31 December 2019, in a breakdown to operating segments:

12 months ended 31 Dec. 2019 (restated)	Banking Solutions PLN'000	Payment Solutions PLN'000	Dedicated Solutions PLN'000	Eliminations PLN'000	Total PLN'000
Sales revenues:	209,417	383,126	327,710	(38,917)	881,336
Sales to external customers	187,909	368,041	325,386	-	881,336
Sales between and/or within segments	21,508	15,085	2,324	(38,917)	-
Gross profit on sales	69,842	97,129	47,324	-	214,295
Selling costs	(13,630)	(20,593)	(18,816)	-	(53,039)
General and administrative expenses	(17,019)	(23,084)	(13,678)	-	(53,781)
Net profit on sales	39,193	53,452	14,830	-	107,475
Other operating activities	4	1,486	840	-	2,330
Share of profits of associates	-	(61)	-	-	(61)
Operating profit	39,197	54,877	15,670	-	109,744
Goodwill	194,903	165,893	171,343	-	532,139

12 months ended 31 Dec. 2019 (restated)	Banking Solutions EUR'000	Payment Solutions EUR'000	Dedicated Solutions EUR'000	Eliminations EUR'000	Total EUR'000
Sales revenues:	48,681	89,062	76,179	(9,047)	204,875
Sales to external customers	43,681	85,555	75,639	-	204,875
Sales between and/or within segments	5,000	3,507	540	(9,047)	-
Gross profit on sales	16,236	22,579	11,001	-	49,816
Selling costs	(3,168)	(4,787)	(4,374)	-	(12,329)
General and administrative expenses	(3,956)	(5,366)	(3,180)	-	(12,502)
Net profit on sales	9,112	12,426	3,447	-	24,985
Other operating activities	1	345	194	-	540
Share of profits of associates	-	(14)	-	-	(14)
Operating profit	9,113	12,757	3,641	-	25,511
Goodwill	45,768	38,956	40,236	-	124,960

The financial results presented above have been converted at the average exchange rate in the period of 12 months ended 31 December 2019: EUR 1 = PLN 4.3018, whereas the financial position data have been converted at the exchange rate effective as at 31 December 2019: EUR 1 = PLN 4.2585.

V. Explanatory notes to the consolidated statement of profit and loss

5.1. Structure of operating revenues

Selected accounting policies

The Group is engaged in the sale of licenses and broadly defined IT services, and distinguishes the following types of revenues:

- revenues from the sale of proprietary licenses and services,
- revenues from the sale of third-party licenses and services, and
- revenues from the sale of hardware.

a) Sale of proprietary licenses and services

The category of 'Proprietary licenses and services' includes revenues from contracts with customers under which we supply our own software and/or provide related services.

▪ **Comprehensive IT projects**

A large portion of those revenues is generated from the performance of comprehensive IT projects, whereby the Group is committed to provide the customer with a functional IT system. In those situations the customer can only benefit from a functional system, being the final product that is comprised of our proprietary licenses and significant related services (for example, modifications or implementation). Under such contracts, the Group is virtually always required to provide the customer with comprehensive goods or services, including the supply of proprietary licenses and/or own modification services and/or own implementation services. This means that the so-called comprehensive IT contracts most often result in a separate performance obligation that consists in providing the customer with a functional IT system. In the case of a performance obligation that involves the provision of a functional IT system, we closely examine the promise in granting a licence under each contract. Each license is analyzed for being distinct from other goods or services promised in the contract. As a general rule, the Group considers that a commitment to sell a license under such performance obligation does not satisfy the criteria of being distinct, because the transfer of the license is only part of a larger performance obligation, and services sold together with the license present such a significant value so that it is impossible to determine whether the license itself is a predominant obligation.

Revenues from a performance obligation to provide a functional IT system are recognized over time, during the period of its development. This is because, in accordance with IFRS 15, revenues may be recognized over time of transferring control of the supplied goods/services, as long as the entity's performance does not create an asset with an alternative use to the entity, and the entity has an enforceable right to payment for performance completed to date throughout the duration of the contract. In the Management's opinion, in the case of execution of comprehensive IT projects the provider cannot generate an asset with an alternative use because such systems together with the accompanying implementation services are "tailor-made". Concurrently, the analysis carried out so far showed that essentially all contracts concluded by the Group meet the criterion of ensuring an enforceable right to payment for performance completed throughout the duration of the contract. This means that revenues from comprehensive IT projects, which include the sale of proprietary licenses and own services, shall be recognized according to the percentage of completion method (based on the costs incurred so far) over time of transferring control of the sold goods/services to the customer. Relatively small IT projects, which are usually completed within one year or generate revenues that are insignificant in the Management's opinion, constitute a specific case where revenues may be recognized in the amount the Group is entitled to invoice.

▪ **Sale of proprietary licenses without significant related services**

In the event the sale of a proprietary license is distinct from other significant modification of implementation services, and thereby it constitutes a separate performance obligation, the Group considers whether the promise in granting the licence is to provide the customer with either:

- ✓ a right to access the entity's intellectual property in the form in which it exists throughout the licensing period; or
- ✓ a right to use the entity's intellectual property in the form in which it exists at the time of granting the license.

The vast majority of licenses sold separately by the Group (thus representing a separate performance obligation) are intended to provide the customer with a right to use the intellectual property, which means revenues from the sale of such licenses are recognized at the point in time at which control of the licence is transferred to the customer. This is tantamount to stating that in the case of proprietary licenses sold without significant related services, regardless of the licensing period, the arising revenues are recognized on a one-off basis at the point in time of transferring control of the licence. We have also identified instances of selling licenses the nature of which is to provide a right to access the intellectual property. Those licenses are, as a rule, sold for a definite period. In accordance with IFRS 15, the Group now recognizes such revenues based on the determination whether the license provides the customer with a right to access or a right to use.

▪ **Maintenance services and warranties**

The category of 'Proprietary licenses and services' also presents revenues from own maintenance services, including revenues from warranties. Such services, in principle, constitute a separate performance obligation where the customer consumes the benefits of goods/services as they are delivered by the provider, as a consequence of which revenues are recognized over time during the service performance period.

In many cases, the Group also provides a warranty for goods and services sold. Most warranties granted by the Group meet the definition of service, these are the so-called extended warranties the scope of which is broader than just an assurance to the customer that the product/service complies with agreed-upon specifications. The conclusion regarding the extended nature of a warranty is made whenever the Group contractually undertakes to repair any errors in the delivered software within a strictly specified time limit and/or when such warranty is more extensive than the minimum required by law. In the context of IFRS 15, the fact of granting an extended warranty indicates that the Group actually provides an additional service. In accordance with IFRS 15, this means the Group needs to

recognize an extended warranty as a separate performance obligation and allocate a portion of the transaction price to such service. In all cases where an extended warranty is accompanied by a maintenance service, which is even a broader category than an extended warranty itself, revenues are recognized over time because the customer consumes the benefits of such service as it is performed by the provider. If this is the case, the Group continues to allocate a portion of the transaction price to such maintenance service. Likewise, in cases where a warranty service is provided after the project completion and is not accompanied by any maintenance service, then a portion of the transaction price and analogically recognition of a portion of contract revenues will have to be deferred until the warranty service is actually fulfilled. In the case of warranties the scope of which is limited to the statutory minimum, our accounting policy remained unchanged, meaning such future and contingent obligations will be covered by provisions for warranty repairs which, if materialized, will be charged as operating costs.

b) Sale of third-party licenses and services

The category of 'Third-party licenses and services' includes revenues from the sale of third-party licenses as well as from the provision of services which, due to technological or legal reasons, must be carried out by subcontractors (this applies to hardware and software maintenance and outsourcing services provided by their manufacturers). Revenues from the sale of third-party licenses are as a rule accounted for as sales of goods, which means that such revenues are recognized at the point in time at which control of the licence is transferred to the customer. Concurrently, revenues from third-party services, including primarily third-party maintenance services, are recognized over time when such services are provided to the customer. Whenever the Group is involved in the sale of third-party licenses or services, we consider whether the Group acts as a principal or an agent; however, in most cases the conclusion is that the Group is the main party required to satisfy a performance obligation and therefore the resulting revenues are recognized in the gross amount of consideration.

c) Sale of hardware

The category of the 'Sale of hardware' includes revenues from contracts with customers for the supply of infrastructure. In this category, revenues are recognized basically at the point in time at which control of the equipment is transferred. This does not apply only to situations where hardware is not delivered separately from services provided alongside, in which case the sale of hardware is part of a performance obligation involving the supply of a comprehensive infrastructure system. However, such comprehensive projects are a rare practice in the Group as the sale of hardware is predominantly performed on a distribution basis.

In the case of contracts that contain a component of providing a service or equipment, the entity considers whether such arrangements contain a lease (i.e. whether the entity provides the right to control the use of the identified asset for a period of time in exchange for consideration). The Group has not identified any finance lease components within contracts concluded with customers.

Variable consideration

In accordance with IFRS 15, if a contract consideration encompasses any amount that is variable, the Group shall estimate the amount of consideration to which it will be entitled in exchange for transferring promised goods or services to the customer, and shall include a portion or the whole amount of variable consideration in the transaction price but only to the extent that it is highly probable a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group is party to a number of contracts which provide for penalties for non-performance or improper performance of contractual obligations. Any contractual penalties may therefore affect the consideration, which has been stated as a fixed amount in the contract, and make it subject to change due to such expected penalties. Therefore, as part of estimating the amount of consideration receivable under a contract, the Group has estimated the expected amount of consideration while taking into account the probability of paying such contractual penalties as well as other factors that might potentially affect the consideration. This causes a reduction in revenues, and not an increase in the amount of provisions and relevant costs as it was until now. Apart from contractual penalties, there are no other significant factors that may affect the amount of consideration (such as rebates or discounts), but in the event they were identified, they would also affect the amount of revenues recognized by the Group.

Allocating the transaction price to performance obligations

The Group allocates the transaction price to each performance obligation (or distinct good or service) in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Group's company with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract is deemed to contain a significant financing component. As a practical expedient, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at the contract inception, that the period between when a promised good or service is transferred to the customer and when the customer pays for that good or service will be one year or less.

A contract with a customer does not contain a significant financing component if, among other factors, the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to the customer, and the difference between those amounts is proportional to the reason for the difference. This usually occurs when the contractual payment terms provide protection from the other party failing to adequately complete some or all of its obligations under the contract.

Costs of contracts with customers

The costs of obtaining a contract are those additional (incremental) costs incurred by the Group in order to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group recognizes such costs as an asset if it

expects to recover those costs. Such capitalized costs of obtaining a contract shall be amortized over a period when the Group satisfies the performance obligations arising from the contract.

As a practical expedient, the Group recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Group would have otherwise recognized is one year or less.

Costs to fulfil a contract are the costs incurred in fulfilling a contract with a customer. The Group recognizes such costs as an asset if they are not within the scope of another standard (for example, IAS 2 'Inventories', IAS 16 'Property, Plant and Equipment' or IAS 38 'Intangible Assets') and if those costs meet all of the following criteria: (i) the costs relate directly to a contract or to an anticipated contract with a customer; (ii) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered.

Other practical expedients used by the Group

When appropriate, the Group also applies a practical expedient permitted under IFRS 15 whereby if the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date (for example, a service contract in which an entity bills a fixed amount for each hour of service provided), the Group may recognize revenue in the amount it is entitled to invoice.

Revenues other than revenues from contracts with customers (not subject to IFRS 15)

Revenues other than revenues from contracts with customers are generated by the Group primarily from outsourcing of IT hardware (e.g. ATMs, servers and POS terminals). Each time the Group determines whether all the risks and rewards incidental to the use of rented equipment have been transferred to the customer. Most often, the Group concludes that outsourcing contracts have the characteristics of operating leases.

Estimates

As described above, the Group fulfils performance obligations, a large number of which (including those for the provision of a functional IT system) are measured using the percentage of completion method. Such valuation requires making estimates of future operating cash flows in order to measure the progress of project execution. The percentage of completion shall be measured as the relation of costs already incurred (provided such costs contribute to the progress of work) to the total costs planned, or as a portion of man-days worked out of the total work effort required. Making a valuation which results in revenue recognition each time requires the exercise of professional judgment and a significant amount of estimates.

Similarly, estimates and professional judgment are required in determining the expected amount of revenues from contracts with customers, in cases where the consideration is variable usually due to the determination of contractual penalties for delayed delivery of IT systems or performance of related services.

Estimates of revenues other than revenues from contracts with customers are related to the assessment of the nature of contracts involving the provision of assets to customers (the Group acting as a lessor). Considering the fact that the lease term is in most cases shorter than the substantial useful life of leased assets, and that significant risks and rewards incidental to ownership of leased assets have not been transferred to the Group's customers, the Group has concluded that these contracts are operating leases.

Operating revenues in the period of 12 months ended 31 December 2020 and in the comparable period were as follows:

	12 months ended 31 Dec. 2020 PLN'000	12 months ended 31 Dec. 2019 PLN'000
Operating revenues by type of products		
Proprietary software and services	710,972	593,122
Third-party software and services	124,903	136,231
Hardware and infrastructure	190,615	151,983
Total	1,026,490	881,336

i. Operating revenues of segments in a breakdown by type of products

Operating revenues of individual segments from sales to external customers by type of products during the period of 12 months ended 31 December 2020 and in the comparable period were as follows:

	Banking Solutions PLN'000	Payment Solutions PLN'000	Dedicated Solutions PLN'000	Total PLN'000
12 months ended 31 Dec. 2020				
Proprietary software and services	200,539	344,920	165,513	710,972
Third-party software and services	2,968	7,206	114,729	124,903
Hardware and infrastructure	4,160	107,918	78,537	190,615
Total operating revenues	207,667	460,044	358,779	1,026,490

	Banking Solutions PLN'000	Payment Solutions PLN'000	Dedicated Solutions PLN'000	Total PLN'000
12 months ended 31 Dec. 2019				
Proprietary software and services	180,968	274,734	137,420	593,122
Third-party software and services	4,204	4,197	127,830	136,231
Hardware and infrastructure	2,737	89,110	60,136	151,983
Total operating revenues	187,909	368,041	325,386	881,336

ii. *Operating revenues in a breakdown by countries in which they were generated*

	12 months ended 31 Dec. 2020 PLN'000	12 months ended 31 Dec. 2019 PLN'000
Operating revenues by countries		
Austria	27,439	16,002
Bosnia and Herzegovina	36,109	29,683
Bulgaria	14,955	9,614
Croatia	108,265	103,980
Montenegro	18,575	18,638
Czech Republic	17,324	5,866
Spain	98,522	86,273
Kosovo	14,515	17,429
Macedonia	67,302	49,302
Peru	11,226	12,481
Poland	11,207	9,618
Portugal	13,266	12,638
Romania	143,195	141,823
Serbia	302,587	250,763
Slovenia	16,555	19,835
Turkey	75,170	60,480
Italy	11,913	10,226
Other countries	38,364	26,685
Total operating revenues	1,026,490	881,336

iii. *Revenues from contracts with customers by the method of recognition in the statement of profit and loss*

	12 months ended 31 Dec. 2020 PLN'000	12 months ended 31 Dec. 2019 PLN'000
Revenues from contracts with customers recognized in accordance with IFRS 15, of which:	929,797	796,829
From goods and services transferred at a specific point in time	318,689	297,004
From goods and services transferred over the passage of time	611,108	499,825
Other operating revenues (mainly from leases)	96,693	84,507
Total operating revenues	1,026,490	881,336

Operating revenues, which are not recognized in accordance with IFRS 15, represent primarily revenues generated by the Group from the provision of ATMs and POS terminals outsourcing services. Such contracts are treated as operating leases.

iv. *Other performance obligations*

The table below discloses revenues that the Group expects to recognize in the future from performance obligations that are not satisfied or only partially satisfied as at the reporting date.

Transaction price allocated to performance obligations to be satisfied within:	PLN'000
1 year	763,724
Over 1 year	493,453
Total	1,257,177

Because the Group closely monitors its revenues for the next three years only, the amount disclosed in the line 'Over 1 year' corresponds to revenues contracted for 2022-2023. Revenues from contracts already signed, which will be implemented in subsequent years, are not recorded by the Group and are therefore not included in the table above.

v. *Outsourcing contracts – the Group acting as a lessor*

The Group implements a number of contracts for outsourcing of payment transaction processes. The total amounts of future minimum lease payments receivable under such contracts have been estimated as follows:

	12 months ended 31 Dec. 2020 PLN'000	12 months ended 31 Dec. 2019 PLN'000
Future minimum lease payments		
(i) within 1 year	86,075	78,113
(ii) within 1 to 5 years	105,484	93,028
(iii) within more than 5 years	4,481	6,783
Total	196,040	177,924

5.2. Structure of operating costs

Selected accounting policies

The Group discloses its operating costs both by cost nature and cost function. Cost of sales comprises the costs arising directly from purchases of goods sold and generation of services sold. Selling costs include the costs of distribution and marketing activities. General and administrative expenses include the costs of the Group companies' management and administration activities.

Cost of goods, materials and services sold (COGS) represent the costs of purchases of goods and subcontractor services (excluding personal outsourcing) used for the implementation of projects. Such costs are associated both with revenues presented as own revenues (regarding revenues from services that are performed by subcontractors, if the use of third-party resources results from the Group's decision that treats such third-party resources as a substitute for own resources), as well as third-party revenues (services that must be performed by third parties – mostly software or hardware manufacturers).

Employee benefits comprise all sorts of benefits offered by the Group companies in exchange for work performed by their employees or for termination of employment. If an employee performs work for the benefit of Group companies, we recognize a cost equal to the undiscounted value of employee benefits expected to be paid in exchange for such work. In addition to remuneration, the costs of employee benefits include all paid absences, benefits resulting from the bonus schemes applied in the Group, post-employment benefits, as well as the costs of share-based payment transactions with employees.

Estimates

Due to the fact that the Group's costs are accounted for on an accrual basis, a portion of costs disclosed in the statement of profit and loss represent costs recognized as a result of estimates regarding, for example, the costs expected to arise from a bonus scheme offered to some employees of the Group companies.

The table below presents operating costs incurred in the period of 12 months ended 31 December 2020 and in the comparable period.

Operating costs	12 months ended 31 Dec. 2020	12 months ended 31 Dec. 2019 (restated)
	PLN'000	PLN'000
Cost of goods, materials and third-party services sold (COGS)	(382,552)	(335,289)
Employee benefits	(327,971)	(281,712)
Third-party non-project services and outsourcing of employees	(33,780)	(29,311)
Depreciation and amortization	(77,284)	(66,143)
Maintenance costs of property and company cars	(33,440)	(28,914)
Business trips	(1,817)	(5,855)
Advertising	(3,637)	(5,452)
Other operating expenses	(20,521)	(21,185)
Total	(881,002)	(773,861)
Cost of sales	(764,055)	(664,009)
Selling costs	(55,543)	(53,039)
General and administrative expenses	(61,487)	(53,781)
Recognition (reversal) of allowances for trade receivables	83	(3,032)
Total	(881,002)	(773,861)

Third-party non-project services include consulting services which are not related to specific projects, as well as auditing, legal, banking, postal, courier services, and stock exchange fees.

Maintenance costs of property and company cars include the costs of equipment repairs and spare parts used for the executed projects, costs of repairs and maintenance of tangible assets (including infrastructure provided under our outsourcing contracts), maintenance costs of intangible assets, office space rental and maintenance fees, as well as maintenance of company cars.

i. Share-based payment transactions with employees

On 23 June 2017, Asseco Poland S.A. and managers of ASEE Group companies signed agreements for the acquisition of 2,221,356 shares in ASEE S.A., representing 4.28% of the company's share capital. Members of the Management Board of ASEE S.A. as well as parties related through Members of the Management Board of ASEE S.A. acquired 1,572,424 shares in total.

The above-mentioned agreements constitute an equity-settled share-based payment transaction as defined by IFRS 2.

The purchase rights were vested on 23 June 2017. The acquisition price was set at PLN 10.89 per share. As at the acquisition date, the market price per share equalled PLN 12.60. According to the concluded agreements, the managers shall exercise all the rights attached to shares acquired (dividend rights, voting rights, etc.) since the shares acquisition date, this is as of 23 June 2017. The consideration for the shares shall be paid in eight annual instalments till 31 July 2024. The right to pay the acquisition price in instalments is granted to persons participating in this plan provided they continue to serve in a managerial position at the Group and do not violate any material conditions of the agreement (among others, make timely payments according to the schedule, establish a pledge on shares acquired, refrain from selling these shares during the lock-up period, etc.). The managers are not allowed to sell these shares over a lock-up period of 2 years in relation to 50% of shares and 3 years for the remaining 50% of shares. The managers shall be entitled to make an earlier payment for shares acquired at the agreed price of PLN 10.89 per share, except for shares being subject to the lock-up obligation. Therefore, over a period of 2 years from the date of concluding the agreement, payments for shares acquired must be made in accordance with the agreed schedule. Hence, after 2 years have passed and still before the lapse of 3 years, the managers can make an early payment for 50% of shares at maximum. Upon expiry of the 3-year period, early payment can be made for all shares acquired. An unpaid portion of the selling price shall be secured by establishing a pledge on shares purchased by each buyer.

The agreements also provide for put and call options, enabling the parties to resell or repurchase any unpaid shares.

The fair value of this share-based incentive plan has been estimated as the sum of the discount between the shares market price on the transaction date and their actual acquisition price, and the valuation of put options measured using the Black-Scholes Merton model. The total fair value of the plan as at the rights vesting date amounts to PLN 5,642 thousand. The incentive plan costs will be accounted for, along with

the corresponding increase in equity, as costs of employee benefits and recognized in the financial results of ASEE Group for the years 2017-2020.

The fair value of equity instruments awarded under the incentive plan has been measured based on the following assumptions:

Market price of 1 share of ASEE S.A. on the acquisition date	PLN 12.60
Acquisition price of 1 share	PLN 10.89
Expected share price volatility	25.61%
Risk-free interest rate	2.25%
Dividend yield	3.81%
Employee turnover ratio	9.0%

The expected share price volatility of 25.61% has been computed based on historical quotes of our shares in the period of two years preceding the date of the shares sale transaction, taking into account their average closing prices.

The risk-free interest rate has been assumed in correspondence to the interest offered on three-year Treasury bills, equalling 2.25%.

The dividend yield has been determined on the basis of dividend amounting to PLN 0.48 per share that was paid out to the shareholders of ASEE S.A. from the company's net profit for the year 2016.

The employee turnover ratio has been estimated based on historical data for the years 2015-2017 and updated with current changes in the employment of persons participating in the incentive plan.

The options exercise period has been set at 2 years in relation to 50% of shares and 3 years for the remaining 50% of shares. The options exercise period has been correlated with the lock-up period applicable to the sale of shares, lasting 2 or 3 years.

The costs of share-based payment plan disclosed in the consolidated financial statements for the year ended 31 December 2020 amounted to PLN 740 thousand (vs. PLN 2,094 thousand in the comparable period of 2019), of which costs related to shares acquired by Members of the Management Board amounted to PLN 442 thousand (vs. PLN 1,447 thousand in the comparable period of 2019). In correspondence, this transaction was recognized as a separate item of the Group's equity, in the same amount as disclosed in remuneration costs.

Accounting for this option plan has been completed by 30 June 2020 and all the costs of share-based payment transactions have already been recognized in the financial results of ASEE Group.

ii. Reconciliation of depreciation and amortization charges

The table below presents the reconciliation of depreciation and amortization charges recognized in the statement of profit and loss with those disclosed in the tables of changes in property, plant and equipment, intangible assets, as well as in right-of-use assets:

	12 months ended 31 Dec. 2020 PLN'000	12 months ended 31 Dec. 2019 (restated) PLN'000
Depreciation charges as disclosed in the table of changes in property, plant and equipment	(47,722)	(43,789)
Amortization charges as disclosed in the table of changes in intangible assets	(6,954)	(5,684)
Depreciation charges as disclosed in the table of changes in right-of-use assets	(22,575)	(16,677)
Depreciation charges on investment property	(33)	(32)
Reduction of amortization charges due to recognition of grants to internally generated licenses	-	39
Total depreciation and amortization charges disclosed in the statement of profit and loss and in the statement of cash flows	(77,284)	(66,143)

5.3. Other operating income and expenses

Selected accounting policies

In other operating activities, the Group discloses primarily income and expenses that are not related to our core IT operations.

Other operating income and expenses in the period of 12 months ended 31 December 2020 and in the comparable period were as follows:

Other operating income	12 months ended 31 Dec. 2020 PLN'000	12 months ended 31 Dec. 2019 PLN'000
Gain on disposal of property, plant and equipment and right-of-use assets	542	704
Proceeds from letting of own office space	58	65
Reversal of a provision for the costs of court litigation relating to other operations	6	251
Other	2,367	3,233
Total	2,973	4,253

Other operating expenses	12 months ended 31 Dec. 2020 PLN'000	12 months ended 31 Dec. 2019 PLN'000
Loss on disposal of property, plant and equipment	(13)	(18)
Charitable contributions to unrelated parties	(421)	(331)
Provisions created, including for the costs of court litigation relating to other operations	(88)	(366)
Other	(2,292)	(1,208)
Total	(2,814)	(1,923)

5.4. Financial income and expenses

Selected accounting policies

Interest income comprises primarily interest on investments in debt securities (including loans granted and cash deposits with a maturity of more than three months). Such income is measured at amortized cost using the effective interest rate. Other interest income comprises interest on trade receivables, interest on leases, as well as discounts on costs (liabilities) accounted for using the effective interest method.

Interest expenses incurred on external financing obtained by the Group are charged at amortized cost.

Financial income earned during the period of 12 months ended 31 December 2020 and in the comparable period was as follows:

Financial income	12 months ended 31 Dec. 2020 PLN'000	12 months ended 31 Dec. 2019 PLN'000
Interest income on loans granted and bank deposits	1,253	2,247
Positive foreign currency translation differences	6,393	1,577
Gain on exercise and/or valuation of financial assets carried at fair value through profit or loss	8	177
Gain on revaluation of conditional payments in transactions to obtain control	868	-
Gain on remeasurement of an associate to fair value	-	2,014
Other financial income	106	17
Total financial income	8,628	6,032

The gain on remeasurement of an associate to fair value for the period of 12 months ended 31 December 2019 resulted from the acquisition of a 36.30% stake in the share capital of Multicard d.o.o. by Payten Serbia and obtaining control over that company.

Financial expenses incurred during the period of 12 months ended 31 December 2020 and in the comparable period were as follows:

Financial expenses	12 months ended 31 Dec. 2020 PLN'000	12 months ended 31 Dec. 2019 PLN'000
Interest expenses on bank loans and borrowings	(1,474)	(1,239)
Interest expenses on leases	(2,189)	(1,981)
Other interest expenses	(322)	(129)
Negative foreign currency translation differences	(4,511)	(896)
Expenses related to obtaining control over subsidiaries	(29)	(596)
Loss on revaluation of conditional payments in transactions to obtain control	(3,483)	(723)
Loss on exercise and/or valuation of financial assets carried at fair value through profit or loss	(508)	(125)
Other financial expenses	(99)	(23)
Total financial expenses	(12,615)	(5,712)

Positive and negative foreign currency translation differences are presented in net amounts (reflecting the excess of positive differences over negative differences or otherwise) at the level of individual subsidiaries.

Gain/loss on revaluation of conditional payments in transactions to obtain control resulted from changes in the estimates of deferred contingent liabilities arising from the acquisition of controlling interests in subsidiaries.

5.5. Corporate income tax

Selected accounting policies

The Group recognizes and measures its current and deferred income tax assets and liabilities in accordance with the requirements of IAS 12 'Income Taxes' on the basis of taxable profit (tax loss), tax base, unused tax losses, unused tax credits and tax rates, taking into account the assessment of uncertainty over tax treatments.

Income tax comprises current and deferred portion. The current income tax is the amount determined on the basis of tax regulations, which is calculated on the taxable income for a given period and recognized as a liability in the amount it was not paid, or as a receivable if the amount of current income tax already paid exceeds the amount to be paid.

For the purpose of financial reporting, deferred income tax is calculated applying the balance sheet liability method to all temporary differences that exist, at the reporting date, between the tax base of an asset or liability and its carrying value disclosed in the financial statements. Deferred tax liabilities are recognized in relation to all positive temporary differences – except for situations when a deferred tax liability arises from initial recognition of goodwill or initial recognition of an asset or liability on a transaction other than combination of businesses, which at the time of its conclusion has no influence on pre-tax profit, taxable income or tax loss, as well as in relation to positive temporary differences arising from investments in subsidiaries or associates or from interests in joint ventures – except for situations when the investor is able to control the timing of reversal of such temporary differences and when it is probable that such temporary differences will not be reversed in the foreseeable future. Deferred tax assets are recognized in relation to all negative temporary differences as well as unutilized tax losses carried forward to subsequent years, in such amount that it is probable that future taxable income will be sufficient to allow the above-mentioned temporary differences, assets or losses to be utilized – except for situations when deferred tax assets arising from negative temporary differences arise from initial recognition of an asset or liability on a transaction other than combination of businesses, which at the time of its conclusion has no influence on pre-tax profit, taxable income or tax loss; as well as in relation to negative temporary differences arising from investments in subsidiaries or associates or from interests in joint ventures. Deferred tax assets are recognized in the statement of financial position in such amount only that it is probable that the above-mentioned temporary differences will be reversed in the foreseeable future and that sufficient taxable income will be available to offset such negative temporary differences. The carrying value of an individual deferred tax asset shall be verified at each reporting date and shall be adequately decreased or increased in order to reflect any changes in the estimates of achieving taxable profit sufficient to utilize such deferred tax asset partially or entirely.

Deferred income tax assets and liabilities are treated in whole as long-term items and are not discounted. They can be compensated against each other if the entity holds an enforceable legal title to offset the amounts recognized.

Deferred tax assets and deferred tax liabilities shall be valued using the future tax rates anticipated to be applicable at the time when a deferred tax asset is realized or a deferred tax liability is reversed, based on the tax rates (and tax regulations) legally or factually in force at the reporting date.

Income tax relating to items that are recognized directly in equity shall be disclosed under equity and not in the statement of profit and loss.

Estimates

The Group makes an assessment of realizability of deferred income tax assets at each reporting date. This assessment requires the exercise of professional judgment and estimates, among others, regarding the future taxable income.

The main charges on pre-tax profit resulting from corporate income tax (current and deferred portions):

	12 months ended 31 Dec. 2020	12 months ended 31 Dec. 2019 (restated)
	PLN'000	PLN'000
Current corporate income tax expense as disclosed in the statement of profit and loss, of which:		
<i>Current portion of income tax</i>	(25,885)	(20,908)
<i>Corrections of CIT filings for prior years</i>	(27,896)	(21,446)
Deferred income tax	2,011	538
	2,395	1,884
Income tax expense as disclosed in the statement of profit and loss	(23,490)	(19,024)

The table below presents the reconciliation of corporate income tax payable on pre-tax profit at the statutory tax rate, with corporate income tax computed at the Group's effective tax rate:

	12 months ended 31 Dec. 2020	12 months ended 31 Dec. 2019 (restated)
	PLN'000	PLN'000
Pre-tax profit	141,660	109,974
Statutory corporate income tax rate	19%	19%
Corporate income tax computed at the statutory tax rate	26,915	20,895
Difference due to different rates of corporate income tax paid abroad	(3,387)	(2,765)
Change in estimates of deferred tax assets recognized on the so-called "external temporary differences" resulting from dividend payments within the Group	2,741	2,387
Utilization of tax credits and other tax deductibles	(576)	(553)
Non-taxable income achieved in a special technological zone	(5,325)	(3,756)
Non-tax-deductible expenses incurred in a technological zone	2,415	1,814
Representation expenses	57	271
Depreciation and amortization charges, differences in rates of depreciation and amortization	604	580
Write-downs on receivables/inventories/tangible assets	161	520
Costs of share-based payment transactions with employees	141	393
Remuneration of the Supervisory Board	236	144
Changes in the calculation of corporate income tax for the prior years	(2,011)	(543)
Costs of company acquisitions	220	324
Gain on fair-value remeasurement of an associate due to obtaining control	-	(302)
Utilization of tax losses and change in deferred tax assets arising from tax losses	97	(254)
Other permanent differences	1,202	(131)
Corporate income tax at the effective tax rate of 16.6% in 2020, and 17.3% in 2019	23,490	19,024

The table below presents information on deferred tax assets and liabilities:

	Deferred tax liabilities, gross		Deferred tax assets, gross	
	31 Dec. 2020	31 Dec. 2019 (restated)	31 Dec. 2020	31 Dec. 2019
	PLN'000	PLN'000	PLN'000	PLN'000
Property, plant and equipment	1,525	1,572	3,192	2,485
Intangible assets	2,235	2,813	385	396
Right-of-use assets	1,839	1,704	-	-
Financial assets carried at fair value through profit or loss	-	13	78	75
Loans granted	77	36	-	-
Inventories	-	-	1,743	1,582
Prepayments and accrued income	-	7	24	30
Trade receivables	2	2	642	628
Contract assets	505	788	-	-
Other receivables	-	12	-	-
Provisions	2	3	653	624
Trade payables	25	-	398	342
Contract liabilities	74	91	91	163
Financial liabilities, including lease liabilities	-	-	2,992	2,204
Accruals	-	-	1,487	1,347
Losses deductible against future taxable income	-	-	2,642	2,976

Deferred tax liabilities, gross	6,284	7,041		
Deferred tax assets, gross			14,327	12,852
Write-down due to inability to realize a deferred tax asset			-	-
Deferred tax assets, net			14,327	12,852
Deferred tax liabilities/assets, net	2,905	3,167	10,948	8,978

The Group made an estimate of taxable income planned to be achieved in the future and concluded it will enable full recovery of deferred tax assets disclosed in these consolidated financial statements.

5.6. Earnings per share

Selected accounting policies

Basic earnings per share attributable to shareholders of the Parent Company for each reporting period shall be computed by dividing the net profit from continuing operations for the reporting period by the weighted average number of shares outstanding in that period. Diluted earnings per share attributable to shareholders of the Parent Company for each reporting period shall be calculated by dividing the net profit from continuing operations for the reporting period by the total of weighted average number of shares outstanding in that period and all shares from potential new issuances.

Both during the reporting period and the comparable period, there were no instruments that could potentially dilute basic earnings per share, hence our basic earnings per share and diluted earnings per share are equal. The table below presents net profits and numbers of shares used for the calculation of earnings per share.

	12 months ended 31 Dec. 2020	12 months ended 31 Dec. 2019 (restated)
Weighted average number of ordinary shares outstanding, used for calculation of basic earnings per share	51,894,251	51,894,251
Net profit attributable to shareholders of the Parent Company for the reporting period (in thousands of PLN)	116,528	89,647
Consolidated earnings per share for the reporting period (in PLN)	2.25	1.73

5.7. Information on dividends paid out

The Annual General Meeting of Asseco South Eastern Europe S.A. seated in Rzeszów, acting on the basis of art. 395 § 2 item 2) of the Commercial Companies Code as well as pursuant to § 12 sec. 4 item 2) of the Company's Articles of Association, on 16 June 2020 decided to pay out a dividend in the total amount of PLN 38,402 thousand or PLN 0.74 per share to all of the Company's shareholders.

The Company's Annual General Meeting established 25 June 2020 as the dividend record date. The dividend was paid out on 8 July 2020. The number of shares eligible for dividend was 51,894,251.

In 2019, the Parent Company paid out to its shareholders a dividend for the year 2018. The Annual General Meeting of Asseco South Eastern Europe S.A. seated in Rzeszów, acting on the basis of art. 395 § 2 item 2) of the Commercial Companies Code as well as pursuant to § 12 sec. 4 item 2) of the Company's Articles of Association, on 11 April 2019 decided to pay out a dividend in the total amount of PLN 26,985 thousand or PLN 0.52 per share to all of the Company's shareholders.

The Company's Annual General Meeting established 28 June 2019 as the dividend record date. The dividend was paid out on 11 July 2019. The number of shares eligible for dividend was 51,894,251.

VI. Explanatory notes to the consolidated statement of financial position

6.1. Property, plant and equipment

Selected accounting policies

Initial recognition

Property, plant and equipment are disclosed at purchase cost or production cost decreased by accumulated depreciation and any impairment losses. The initial value of a tangible asset corresponds to its purchase cost increased by expenditures related directly to the purchase and adaptation of such asset to its intended use. Such expenditures may also include the cost of replacing parts of machinery or equipment at the time that cost is incurred if the recognition criteria are met. Any costs incurred after a tangible asset is made available for use, such as maintenance or repair fees, are expensed in the statement of profit and loss at the time when incurred.

At the time of purchase tangible assets are divided into components of significant value for which separate periods of useful life may be adopted. General overhaul expenses constitute a component of assets as well.

Measurement at each reporting date

Such assets are depreciated using the straight-line method over their expected useful lives. The periods of useful life are presented in the table below:

Type	Period (in years)
Buildings and structures	40
Computers and telecommunication equipment	1-5
Furniture	2-8
Office equipment	5-10
Transportation vehicles	4-6
Other tangible assets	2-5
Leasehold improvements	5

At each reporting date, the Group determines whether there are any indications of impairment of tangible assets. In the event such indications occur, or when it is necessary to carry out an annual impairment test, the Group estimates the recoverable amount of a given asset or cash-generating unit to which such asset has been allocated. Impairment losses on assets used in continuing operations are recognized as operating expenses.

Derecognition

A tangible asset may be derecognized from the balance sheet after it is disposed of or when no economic benefits are expected from its further use. Any gains or losses resulting from derecognition of an asset from the balance sheet (measured as the difference between net proceeds from disposal of such asset and its carrying value) are recognized in the statement of profit and loss for the period when such derecognition is made.

Investments in progress relate to tangible assets under construction or during assembly and are recognized at purchase cost or production cost, decreased by any potential impairment losses. Tangible assets under construction are not depreciated until being completed and available for use.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset, that requires substantial time to be prepared to its intended use or sale, are capitalized by the Group as part of such asset's purchase price or production cost. Other borrowing costs are recognized as expenses in the period in which they are incurred.

Estimates

At each reporting date, the Group determines if there are any objective indications of impairment of a given component of property, plant and equipment.

Such assets are as a rule depreciated using the straight-line method over their expected useful lives.

The level of depreciation rates is determined on the basis of anticipated period of useful life of property, plant and equipment. In 2020 the rates of depreciation and amortization applied by the Group were not subject to any substantial modifications.

The Group companies verify the adopted periods of useful life on an annual basis, taking into account the current estimates.

The net book value of property, plant and equipment, during the period of 12 months ended 31 December 2020 changed as a result of the following transactions:

	Land and buildings	Outsourcing and other equipment	Transportation vehicles	Other tangible assets	Tangible assets under construction	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Net book value of property, plant and equipment as at 1 January 2020	7,945	118,043	4,790	10,700	5,583	147,061
Additions, of which:	621	34,572	1,217	2,889	17,330	56,629
Purchases and modernization	621	18,122	1,124	1,506	16,962	38,335
Obtaining control over subsidiaries	-	1,903	93	267	-	2,263
Acquisition of right-of-use assets	-	789	-	-	-	789
Transfers from tangible assets under construction	-	10,161	-	1,094	-	11,255
Transfers from inventories to tangible assets	-	3,597	-	22	368	3,987
Reductions, of which:	(626)	(45,301)	(2,343)	(7,034)	(14,958)	(70,262)
Depreciation charges	(508)	(42,367)	(1,739)	(3,108)	-	(47,722)
Disposal and liquidation	(118)	(1,301)	(650)	(508)	(86)	(2,663)
Recognition/reversal of impairment losses	-	(68)	46	(3,383)	(213)	(3,618)
Transfers from tangible assets under construction	-	-	-	-	(11,255)	(11,255)
Transfers to inventories	-	(1,565)	-	(35)	(3,404)	(5,004)
Other	-	2,025	-	-	-	2,025
Differences on foreign currency translation of subsidiaries	576	6,720	42	11	369	7,718
Net book value of property, plant and equipment as at 31 December 2020	8,516	116,059	3,706	6,566	8,324	143,171
As at 1 January 2020						
Gross value	11,211	267,756	11,172	20,326	5,623	316,088
Accumulated depreciation and impairment losses	(3,266)	(149,713)	(6,382)	(9,626)	(40)	(169,027)
Net book value as at 1 January 2020	7,945	118,043	4,790	10,700	5,583	147,061
As at 31 December 2020						
Gross value	12,417	315,838	10,669	22,810	8,581	370,315
Accumulated depreciation and impairment losses	(3,901)	(199,779)	(6,963)	(16,244)	(257)	(227,144)
Net book value as at 31 December 2020	8,516	116,059	3,706	6,566	8,324	143,171

The net book value of property, plant and equipment, during the period of 12 months ended 31 December 2019 changed as a result of the following transactions:

	Land and buildings	Outsourcing and other equipment	Transportation vehicles	Other tangible assets	Tangible assets under construction	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Net book value of property, plant and equipment as at 1 January 2019	4,557	111,788	6,077	2,212	4,058	128,692
Impact of the adoption of IFRS 16 on the opening balance	-	-	(1,820)	-	-	(1,820)
Net book value of property, plant and equipment as at 1 January 2019 (restated)	4,557	111,788	4,257	2,212	4,058	126,872
Additions, of which:	3,766	54,616	2,633	6,003	35,527	102,545
Purchases and modernization	275	10,153	1,814	3,117	35,024	50,383
Obtaining control over subsidiaries	3,491	8,371	761	1,060	-	13,683
Acquisition of right-of-use assets	-	-	58	-	-	58
Transfers from tangible assets under construction	-	30,746	-	1,819	-	32,565
Transfers from inventories to tangible assets	-	5,346	-	7	503	5,856
Reductions, of which:	(329)	(41,271)	(2,001)	(2,851)	(33,902)	(80,354)
Depreciation charges	(329)	(39,273)	(1,363)	(2,824)	-	(43,789)

Disposal and liquidation	-	(474)	(594)	(22)	-	(1,090)
Recognition of impairment losses	-	(465)	(44)	-	(40)	(549)
Transfers from tangible assets under construction	-	-	-	-	(32,565)	(32,565)
Transfers to inventories	-	(1,059)	-	(5)	(1,297)	(2,361)
Other	-	(5,602)	-	5,604	(2)	-
Differences on foreign currency translation of subsidiaries	(49)	(1,488)	(99)	(268)	(98)	(2,002)
Net book value of property, plant and equipment as at 31 December 2019	7,945	118,043	4,790	10,700	5,583	147,061

As at 1 January 2019 (including impact of the adoption of IFRS 16)

Gross value	5,606	233,500	10,335	7,780	4,058	261,279
Accumulated depreciation and impairment losses	(1,049)	(121,712)	(6,078)	(5,568)	-	(134,407)
Net book value as at 1 January 2019 (restated)	4,557	111,788	4,257	2,212	4,058	126,872

As at 31 December 2019

Gross value	11,211	267,756	11,172	20,326	5,623	316,088
Accumulated depreciation and impairment losses	(3,266)	(149,713)	(6,382)	(9,626)	(40)	(169,027)
Net book value as at 31 December 2019	7,945	118,043	4,790	10,700	5,583	147,061

Some pieces of equipment have been transferred from inventories to tangible assets because they are utilized in the performance of our outsourcing contracts.

As at 31 December 2020, tangible assets with a book value of PLN 8,087 thousand served as collateral for bank loans.

As at 31 December 2019, tangible assets with a book value of PLN 8,674 thousand served as collateral for bank loans.

6.2. Intangible assets

Selected accounting policies

Intangible assets purchased

Intangible assets purchased in a separate transaction shall be capitalized at purchase cost. Intangible assets acquired as a result of a company takeover shall be capitalized at fair value as at the takeover date.

Internally generated intangible assets

The Group presents in separate categories the final products of development projects ("internally generated software and licenses") and the products which have not been finished yet ("costs of development projects in progress"). An intangible asset generated internally as a result of development work (or completion of the development phase of an internal project) is recognized if, and only if, the Company is able to demonstrate: (i) the technical feasibility of completing such intangible asset so that it would be available for use or sale; (ii) the intention to complete the construction of such intangible asset; (iii) the ability to use or sell such intangible asset; (iv) how such intangible asset is going to generate probable future economic benefits; (v) the availability of adequate technical, financial and other resources to complete the development work and to make the intangible asset ready for use or sale; (vi) its ability to reliably measure the expenditure for the development work attributable to such intangible asset.

The cost of an internally generated intangible asset is the sum of expenditures incurred from the date when the intangible asset first meets the above-mentioned recognition criteria. Expenditures previously recognized as expenses may not be capitalized. The cost of an internally generated intangible asset comprises directly attributable costs necessary to create, produce, and prepare that asset to be capable of operating in the manner intended by management.

The **period of useful life** of an intangible asset shall be assessed and classified as definite or indefinite. Intangible assets with a definite period of useful life are amortized using the straight-line method over their expected useful life, and amortization charges are expensed adequately in the statement of profit and loss.

Amortization charges against intangible assets with a definite period of useful life are recognized in profit or loss, in the category which corresponds to the function of each individual intangible asset.

All the intangible assets subject to amortization are amortized under the straight-line method. Presented below are the periods of useful life adopted for intangible assets:

Type	Period (in years)
Purchased licenses and software	2-5
Cost of development work	2-5
Patents and licenses	2-5
Other	3-10

Intangible assets with an indefinite period of useful life and those which are no longer used are tested for possible impairment at least once a year and whenever there are indications to do so. Should the carrying value exceed the estimated recoverable amount (the higher of the following two amounts: net sales price or value in use), the value of these assets shall be reduced to the recoverable amount. Any gains or losses resulting from derecognition of an intangible asset from the statement of financial position are measured as the difference between net proceeds from the sale of such an asset and its carrying value, and are recognized in the statement of profit and loss at the time when such derecognition is made.

Estimates

At each reporting date, the Group determines if there are any objective indications of impairment of a given component of intangible assets. The period of useful life of an intangible asset shall be assessed and classified as definite or indefinite. Intangible assets with a definite period of useful life are amortized using the straight-line method over their expected useful life, and amortization charges are expensed adequately in the statement of profit and loss.

The Group verifies the adopted periods of useful life on an annual basis, taking into account the current estimates.

The costs of internally generated intangible assets are measured and capitalized in line with the Group's accounting policy.

The determination of when to begin the capitalization of such costs is subject to the management's professional judgement as to the technological and economic feasibility of completing the development project. This moment is determined by reaching a stage (milestone) of the project, at which the Group is reasonably certain of being able to complete the intangible asset so that it will be available for use or sale, and that future economic benefits to be obtained from use or sale of such intangible asset will exceed its production cost. When determining the amount of capitalizable expenditures, the Management Board needs to estimate the present value of future cash flows to be generated by the intangible asset.

The net book value of intangible assets, during the period of 12 months ended 31 December 2020 changed as a result of the following transactions:

	Software and internally generated licenses	Costs of development projects in progress	Purchased software, patents, licenses and other intangibles	Intangible assets recognized in business combinations	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Net book value of intangible assets as at 1 January 2020 (restated)	8,739	91	10,478	4,670	23,978
Additions, of which:	853	804	5,595	-	7,252
Purchases and modernization	6	-	5,408	-	5,414
Obtaining control over subsidiaries	43	-	187	-	230
Capitalization of development project costs	-	804	-	-	804
Transfers from the costs of development projects in progress	804	-	-	-	804
Reductions, of which:	(3,857)	(903)	(3,701)	(829)	(9,290)
Amortization charges for the reporting period	(2,538)	-	(3,587)	(829)	(6,954)
Disposal and liquidation	-	(99)	(89)	-	(188)
Transfers to internally generated software	-	(804)	-	-	(804)
Impairment loss	(1,319)	-	(25)	-	(1,344)
Differences on foreign currency translation of subsidiaries	394	8	476	181	1,059
Net book value of intangible assets as at 31 December 2020	6,129	-	12,848	4,022	22,999
As at 1 January 2020					
Gross value	28,669	91	37,029	4,944	70,733
Accumulated amortization and impairment losses	(19,930)	-	(26,551)	(274)	(46,755)
Net book value as at 1 January 2020 (restated)	8,739	91	10,478	4,670	23,978
As at 31 December 2020					
Gross value	31,260	-	42,947	5,172	79,379
Accumulated amortization and impairment losses	(25,131)	-	(30,099)	(1,150)	(56,380)
Net book value as at 31 December 2020	6,129	-	12,848	4,022	22,999

The net book value of intangible assets, during the period of 12 months ended 31 December 2019 changed as a result of the following transactions:

	Software and internally generated licenses PLN'000	Costs of development projects in progress PLN'000	Purchased software, patents, licenses and other intangibles PLN'000	Intangible assets recognized in business combinations PLN'000	Total PLN'000
Net book value of intangible assets as at 1 January 2019	1,348	2,222	7,284	-	10,854
Additions, of which:	12,784	353	6,416	4,945	24,498
Purchases and modernization	-	-	5,069	-	5,069
Obtaining control over subsidiaries	10,308	178	1,347	4,945	16,778
Capitalization of development project costs	-	175	-	-	175
Transfers from the costs of development projects in progress	2,476	-	-	-	2,476
Reductions, of which:	(5,049)	(2,476)	(3,306)	(274)	(11,105)
Amortization charges for the reporting period	(2,104)	-	(3,306)	(274)	(5,684)
Disposal and liquidation	(1,323)	-	-	-	(1,323)
Transfers to internally generated software	-	(2,476)	-	-	(2,476)
Impairment loss	(1,622)	-	-	-	(1,622)
Other	-	-	1	6	7
Differences on foreign currency translation of subsidiaries	(344)	(8)	83	(7)	(276)
Net book value of intangible assets as at 31 December 2019 (restated)	8,739	91	10,478	4,670	23,978
As at 1 January 2019					
Gross value	7,599	2,222	29,962	-	39,783
Accumulated amortization and impairment losses	(6,251)	-	(22,678)	-	(28,929)
Net book value as at 1 January 2019	1,348	2,222	7,284	-	10,854
As at 31 December 2019					-
Gross value	28,669	91	37,029	4,944	70,733
Accumulated amortization and impairment losses	(19,930)	-	(26,551)	(274)	(46,755)
Net book value as at 31 January 2019 (restated)	8,739	91	10,478	4,670	23,978

Both as at 31 December 2020 and 31 December 2019, intangible assets did not serve as collateral for any bank loans.

During the period of 12 months ended 31 December 2020, the Group recognized the costs of liquidation and impairment losses on its proprietary software and licenses in the amount of PLN 1,532 thousand.

For impairment testing purposes, intangible assets are allocated to individual cash-generating units or groups of cash-generating units. The conducted annual impairment tests have been described in detail in explanatory note 6.5 to these consolidated financial statements. The recoverable amount of the costs of development projects in progress was measured as at the reporting date by analyzing the future cash flows to be generated by each of such ongoing projects. Based on the carried out analysis, it was determined that the costs of development projects in progress were not impaired as at the reporting date.

Development projects

In 2020 as well as in the comparable period, the development projects carried out by the Group focused on the generation of new software or significant modification/extension of already marketed applications.

In the year ended 31 December 2020, total development project costs which qualified for capitalization amounted to PLN 804 thousand (vs. PLN 175 thousand in the comparable period) and they were incurred by the following operating segments:

	12 months ended 31 Dec. 2020 PLN'000	12 months ended 31 Dec. 2019 PLN'000
Banking Solutions	-	-
Payment Solutions	804	175
Dedicated Solutions	-	-

The value of completed development projects amounted to PLN 804 thousand in the period of 12 months ended 31 December 2020, as compared with PLN 2,476 thousand in 2019.

The total amount of research and development expenditures that were expensed in the period of 12 months ended 31 December 2020 equalled PLN 24,494 thousand, as compared with PLN 12,287 thousand in the comparable period.

In 2020, the Group decided to recognize an impairment write-down as well as to liquidate its capitalized costs of development projects (both completed and in progress) with a total amount of PLN 1,319 thousand. The liquidation affected the capitalized costs of development projects in Turkey, in the Payment Solutions segment. Such write-downs resulted from the Management's assessment of the amount of realizable revenues from individual, internally generated software modules.

6.3. Right-of-use assets

Selected accounting policies

At the contract inception, the Group determines whether a contract is a lease or contains a lease. A contract is a lease or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single accounting model for the recognition and measurement of all leases, except for short-term leases and leases of low-value assets. At the lease commencement date, the Group recognizes a right-of-use asset and a lease liability.

Short-term leases and leases of low-value assets

The Group has applied the exemption not to recognize right-of-use assets and liabilities for short-term leases with terms less than 12 months which do not contain a purchase option. The Group has also applied the exemption for the recognition of leases of low-value assets. Lease payments under short-term leases and leases of low-value assets shall be expensed on a straight-line basis over the lease term.

Initial recognition and measurement of right-of-use assets

Since 1 January 2020, in the case of contracts identified as leases, the Group has recognized right-of-use assets as at the lease commencement date (i.e. the date when the asset being leased is available for use by the Group).

Right-of-use assets are initially recognized at cost. The cost of the right-of-use asset shall comprise: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received; any initial direct costs incurred by the lessee; and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

Subsequent measurement of right-of-use assets

The Group shall measure the right-of-use asset applying a cost model, this is at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability (i.e. modifications that are not required to be accounted for as a separate lease).

***Right-of-use assets are depreciated** by the Group basically using the straight-line method. If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group shall depreciate the right-of-use asset from the lease commencement date to the end of the useful life of the underlying asset. Otherwise, the Group shall depreciate the right-of-use asset from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.*

The Group applies the provisions of IAS 36 'Impairment of Assets' to determine whether the right-of-use asset is impaired.

Estimates

At the contract inception, the Group makes an assessment whether the contract is a lease or contains a lease, and estimates the incremental borrowing rate and the lease term.

At each reporting date, the Group determines if there are any objective indications of impairment of a given right-of-use asset.

Such assets are as a rule depreciated using the straight-line method over their expected useful lives.

The net book value of right-of-use assets, during the period of 12 months ended 31 December 2020 changed as a result of the following transactions:

	Land and buildings PLN'000	Transportation vehicles PLN'000	Other PLN'000	Total PLN'000
Net book value of right-of-use assets as at 1 January 2020	47,575	9,095	8,385	65,055
Additions, of which:	14,547	3,290	1,495	19,332
Conclusion of new lease contracts	8,290	2,422	1,495	12,207
Modification of existing contracts (lease extension, interest rate change)	5,319	132	-	5,451
Obtaining control over subsidiaries	938	736	-	1,674
Reductions, of which:	(21,382)	(4,159)	(4,474)	(30,015)
Depreciation charges for the reporting period	(15,550)	(3,939)	(3,086)	(22,575)
Acquisition of right-of-use assets	-	-	(789)	(789)
Early termination of contracts	(2,414)	(166)	(135)	(2,715)
Modification of existing contracts (lease shortening,	(3,418)	(54)	(464)	(3,936)

interest rate change)

Other	-	-	(2,025)	(2,025)
Differences on foreign currency translation of subsidiaries	2,418	472	474	3,364
Net book value of right-of-use assets as at 31 December 2020	43,158	8,698	3,855	55,711

As at 1 January 2020

Gross value	64,739	15,075	15,026	94,840
Accumulated depreciation and impairment losses	(17,164)	(5,980)	(6,641)	(29,785)
Net book value as at 1 January 2020	47,575	9,095	8,385	65,055

As at 31 December 2020

Gross value	72,752	18,681	9,907	101,340
Accumulated depreciation and impairment losses	(29,594)	(9,983)	(6,052)	(45,629)
Net book value as at 31 December 2020	43,158	8,698	3,855	55,711

The net book value of right-of-use assets, during the period of 12 months ended 31 December 2019 changed as a result of the following transactions:

	Land and buildings PLN'000	Transportation vehicles PLN'000	Other PLN'000	Total PLN'000
Net book value of right-of-use assets as at 1 January 2019	-	-	-	-
Impact of the adoption of IFRS 16 on the opening balance	27,777	7,197	-	34,974
Net book value of right-of-use assets as at 1 January 2019 (restated)	27,777	7,197	-	34,974
Additions, of which:	35,975	6,121	9,071	51,167
Conclusion of new lease contracts	25,902	5,228	662	31,792
Modification of existing contracts (lease extension, interest rate change)	634	-	-	634
Obtaining control over subsidiaries	9,439	893	8,409	18,741
Reductions, of which:	(16,022)	(3,364)	(610)	(19,996)
Depreciation charges for the reporting period	(12,844)	(3,223)	(610)	(16,677)
Acquisition of right-of-use assets	-	(58)	-	(58)
Early termination of contracts	(2,814)	(83)	-	(2,897)
Modification of existing contracts (lease shortening, interest rate change)	(364)	-	-	(364)
Other	647	(647)	-	-
Differences on foreign currency translation of subsidiaries	(802)	(212)	(76)	(1,090)
Net book value of right-of-use assets as at 31 December 2019	47,575	9,095	8,385	65,055

6.4. Goodwill

Selected accounting policies

Goodwill

Goodwill is an asset representing future economic benefits arising from assets acquired as part of a business acquisition that cannot be individually identified or separately recognized.

Goodwill arising from the acquisition of an entity is initially recognized at purchase cost, which represents the excess of: (i) the value of the consideration transferred; (ii) the amount of any non-controlling interest in the acquired entity; and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously-held equity interest in the acquired entity; over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

As at the acquisition date, the acquired goodwill is allocated to every cash-generating unit which may benefit from synergy effects arising from a business combination.

After initial recognition, goodwill is accounted for at purchase cost less any accumulated impairment charges. Goodwill is tested for impairment on an annual basis as at 31 December, or more frequently if there are indications to do so. Goodwill is not subject to amortization.

An impairment loss is determined by estimating the recoverable amount of a cash-generating unit to which goodwill has been allocated. In the event the recoverable amount of a cash-generating unit is lower than its carrying value, an impairment charge shall be recognized.

Goodwill is derecognized in the case of losing control over the cash-generating unit to which it was allocated.

Within the Group, there are often combinations of businesses under common control, whereby all of the combining business entities are ultimately controlled by the same party or parties, both before and after the business combination, and that control is not transitory. Under such transactions, the fair value of combined assets (including intangible assets) is not remeasured. Likewise, goodwill previously recognized in the consolidated financial statements remains unchanged.

Estimates

Goodwill is tested for impairment on an annual basis as well as at each reporting date when there is a justified indication to do so. Performing such a test requires estimating the recoverable amount of a cash-generating unit and is usually carried out using the discounted cash flow method, which entails the need to make estimates for future cash flows, changes in working capital and the weighted average cost of capital.

Detailed information on impairment tests has been provided in explanatory note 6.5.

For impairment testing purposes, goodwill arising from obtaining control over subsidiaries is allocated to the group of cash-generating units that constitute an operating segment.

The following table presents the amounts of goodwill as at 31 December 2020 and 31 December 2019, in a breakdown to operating segments:

	31 Dec. 2020	31 Dec. 2019 (restated)
	PLN'000	PLN'000
Goodwill		
Goodwill at the beginning of the period	532,139	481,089
Banking Solutions	194,903	198,983
Payment Solutions	165,893	106,696
Dedicated Solutions	171,343	175,410
Change in consolidation goodwill due to the acquisition of shares (+/-)	19,355	62,757
Banking Solutions	-	-
Payment Solutions	19,355	62,757
Dedicated Solutions	-	-
Foreign currency translation differences (+/-)	24,032	(11,707)
Banking Solutions	12,160	(4,080)
Payment Solutions	3,520	(3,560)
Dedicated Solutions	8,352	(4,067)
Total goodwill	575,526	532,139
Banking Solutions	207,063	194,903
Payment Solutions	188,768	165,893
Dedicated Solutions	179,695	171,343
Total as at 31 December	575,526	532,139

In the period of 12 months ended 31 December 2020, the balance of goodwill arising from consolidation was affected by the following transactions:

i. Acquisition of shares in Basilichi CEE LLC based in Banja Luka

On 20 January 2020, Payten d.o.o. (Sarajevo) acquired 100% of shares in the company Basilichi CEE LLC based in Banja Luka.

The transaction price amounted to EUR 1.

Until 31 December 2020, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on the acquisition of Basilichi may still be subject to change.

The provisional values of identifiable assets and liabilities of Basilichi as at the date of obtaining control were as follows (converted at the exchange rate of PLN/BAM effective as at the acquisition date):

	Provisional values as at the acquisition date PLN'000
Assets acquired	
Property, plant and equipment	1,451
Intangible assets	162
Right-of-use assets	402
Trade receivables	352
Inventories	321
Cash and cash equivalents	223
Other assets	9
Total assets	2,920
Liabilities acquired	
Bank loans and borrowings	1,722
Lease liabilities	428
Trade payables	2,255
Liabilities to the state and local budgets	116
Provisions and accruals	42
Other liabilities	48
Total liabilities	4,611
Net assets value	(1,691)
Equity interest acquired	100%
Purchase price	-
Goodwill as at the acquisition date	1,691

In the consolidated financial statements of ASEE Group, goodwill arising from the acquisition of Basilichi was allocated to the Payment Solutions segment.

ii. Acquisition of shares in Integrirani Poslovni Sustavi d.o.o., based in Oroslavje

On 4 June 2020, Payten d.o.o. Zagreb signed an agreement to acquire 76% of shares in the company Integrirani Poslovni Sustavi d.o.o. ("IPS"), based in Oroslavje.

The transaction price amounted to EUR 1,851 thousand, of which EUR 847 thousand constitutes a conditional payment depending on the future financial results achieved by the acquired company.

Payten d.o.o. Zagreb also signed a put option agreement with the non-controlling shareholders of IPS. The amount of liabilities under put options has been disclosed in explanatory note 6.15.

Until 31 December 2020, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on the acquisition of IPS may still be subject to change.

The provisional values of identifiable assets and liabilities of IPS as at the date of obtaining control were as follows (converted at the exchange rate of PLN/HRK effective as at the acquisition date):

	Provisional values as at the acquisition date PLN'000
Assets acquired	
Property, plant and equipment	59
Intangible assets	57
Right-of-use assets	406
Trade receivables	685
Receivables from the state and local budgets	32
Inventories	242
Cash and cash equivalents	774
Other assets	261
Total assets	2,516
Liabilities acquired	
Bank loans and borrowings	469

Lease liabilities	415
Other financial liabilities	245
Trade payables	395
Liabilities to the state and local budgets	297
Other liabilities	231
Total liabilities	2,052
Net assets value	464
Equity interest acquired	76%
Value of non-controlling interests	111
Purchase price	8,221
Goodwill as at the acquisition date	7,868

In the consolidated financial statements of ASEE Group, goodwill arising from the acquisition of Integrirani Poslovni Sustavi was allocated to the Payment Solutions segment.

iii. Acquisition of shares in Gastrobit – GRC Grupa d.o.o., based in Dugo Selo

On 23 July 2020, Payten d.o.o. Zagreb signed an agreement to acquire 100% of shares in the company Gastrobit – GRC Grupa d.o.o. ("Gastrobit"), based in Dugo Selo.

The transaction price amounted to EUR 2,276 thousand, of which EUR 1,238 thousand constitutes a conditional payment depending on the future financial results achieved by the acquired company.

Until 31 December 2020, the process of purchase price allocation has not yet been completed by the Group. Therefore, goodwill recognized on the acquisition of Gastrobit may still be subject to change.

The provisional values of identifiable assets and liabilities of Gastrobit as at the date of obtaining control were as follows (converted at the exchange rate of PLN/HRK effective as at the acquisition date):

	Provisional values as at the acquisition date PLN'000
Assets acquired	
Property, plant and equipment	689
Intangible assets	4
Right-of-use assets	844
Trade receivables	236
Inventories	373
Cash and cash equivalents	813
Other assets	90
Total assets	3,049
Liabilities acquired	
Lease liabilities	860
Trade payables	8
Liabilities to the state and local budgets	415
Other liabilities	324
Total liabilities	1,607
Net assets value	1,442
Equity interest acquired	100%
Value of non-controlling interests	-
Purchase price	11,239
Goodwill as at the acquisition date	9,797

In the consolidated financial statements of ASEE Group, goodwill arising from the acquisition of Gastrobit was allocated to the Payment Solutions segment.

iv. Allocation of the purchase price of shares in Sonet spol. s.r.o. and Sonet Slovakia s.r.o.

On 5 September 2019, Payten Sp. z o.o. sp.k. based in Warsaw signed an agreement to acquire 100% of shares in the company Sonet spol. s.r.o. based in Brno as well as 50% of shares in the company Sonet Slovakia s.r.o. based in Bratislava, in which the remaining 50% stake is held by Sonet spol. s.r.o. based in Brno, for the total consideration of EUR 4 million, increased by EUR 1.4 million of net cash surplus as at the transaction closing date as determined in the agreement, and possible conditional payments up to the amount of EUR 0.2 million depending on the achievement of target financial results by Sonet.

The purchase price allocation process was completed in the third quarter of 2020. The fair values of identifiable assets and liabilities of Sonet Group as at the date of obtaining control were as follows (converted at the exchange rate of PLN/CZK effective as at the acquisition date):

	Fair values as at the acquisition date PLN'000
Assets acquired	
Property, plant and equipment	1,806
Intangible assets	5,917
Right-of-use assets	873
Trade receivables	4,355
Receivables from the state and local budgets	118
Inventories	248
Cash and cash equivalents	8,879
Other assets	321
Total assets	22,517
Liabilities acquired	
Bank loans and borrowings	244
Lease liabilities	873
Trade payables	919
Liabilities to the state and local budgets	484
Deferred tax liabilities	942
Other liabilities	538
Total liabilities	4,000
Net assets value	18,517
Equity interest acquired	100%
Purchase price	24,382
Goodwill as at the acquisition date	5,865

In the consolidated financial statements of ASEE Group, goodwill arising from the acquisition of Sonet Group was allocated to the Payment Solutions segment.

v. Allocation of the purchase price of shares in Monri Group d.o.o.

On 8 October 2019, Payten d.o.o. (Sarajevo) concluded a conditional agreement to acquire 80% of shares in Monri Group d.o.o. for the total consideration of EUR 1.96 million. The Group obtained control over Monri Group d.o.o. on 15 November 2019 upon satisfying all the conditions precedent. Monri Group holds 100% of shares in the company Monri Payments d.o.o. Zagreb.

Payten d.o.o. (Sarajevo) also signed a put option agreement with the non-controlling shareholders of Monri. The amount of liabilities under put options has been disclosed in explanatory note 6.15.

The purchase price allocation process was completed in the fourth quarter of 2020. The fair values of identifiable assets and liabilities of Monri Group as at the date of obtaining control were as follows (converted at the exchange rate of PLN/BAM effective as at the acquisition date):

	Fair values as at the acquisition date PLN'000
Assets acquired	
Property, plant and equipment	76
Intangible assets	5,361
Trade receivables	637
Receivables from the state and local budgets	94
Cash and cash equivalents	495
Other assets	925

Total assets	7,588
Liabilities acquired	
Bank loans and borrowings	2,565
Trade payables	848
Liabilities to the state and local budgets	79
Prepayments and accrued income	427
Deferred tax liabilities	966
Other liabilities	530
Total liabilities	5,415
Net assets value	2,173
Equity interest acquired	80%
Value of non-controlling interests	434
Purchase price	8,359
Goodwill as at the acquisition date	6,620

In the consolidated financial statements of ASEE Group, goodwill arising from the acquisition of Monri Group was allocated to the Payment Solutions segment.

6.5. Impairment tests

Selected accounting policies

At each reporting date, the Group determines whether there are any indications of impairment of non-financial fixed assets. In the event such indications occur, or when it is necessary to carry out an annual impairment test, the Group estimates the recoverable amount of a given asset or cash-generating unit to which such asset has been allocated.

The recoverable amount of an asset or cash-generating unit corresponds to the fair value of such asset or cash-generating unit less the costs necessary to make the sale of such asset or cash-generating unit, or to the value in use of such asset or cash-generating unit, whichever is higher. The recoverable amount is measured for individual assets unless a given asset does not generate cash flows significantly independent from cash flows generated by other assets or groups of assets. Impairment takes place when the carrying value of an asset is higher than its recoverable amount, in which case such asset shall be written-down to the determined recoverable amount. In order to determine the value in use, estimated future cash flows shall be discounted to their present value by applying a discount rate that reflects the current market assessments of the time value of money and the risks related to the given asset. Impairment losses on assets used in continuing operations are recognized as operating expenses.

At each reporting date, the Group determines whether there are any indications for reversal or reduction of an impairment charge that was recognized on a given asset in the prior periods. If such indications exist, the Group needs to estimate the recoverable amount of the relevant asset. A formerly recognized impairment charge may be reversed only when estimates applied for determination of the recoverable amount of the relevant asset have changed since the time of the last recognition of impairment. If this is the case, the carrying value of such asset shall be increased to its recoverable amount. The increased amount cannot exceed the given asset's book value (net of depreciation) that would be carried in case no impairment charge was recognized on such asset in the prior years. A reversal of an impairment charge shall be immediately recognized as a reduction of operating expenses. Following a reversal of an impairment loss, the depreciation charges made on the relevant asset during subsequent financial periods shall be adjusted in such a way as to enable systematic depreciation of the asset's verified book value (net of residual value) over the remaining period of its useful life.

Goodwill – impairment tests

After initial recognition, goodwill is accounted for at purchase cost less any accumulated impairment charges. Goodwill is tested for impairment on an annual basis, or more frequently if there are indications to do so. Goodwill is not subject to amortization. As at the acquisition date, the acquired goodwill is allocated to every cash-generating unit which may benefit from synergy effects of the related business combination. Each cash-generating unit or group of units to which goodwill is so allocated shall represent the lowest level within the Group at which goodwill is monitored for internal management purposes; and not be larger than any operating segment identified in accordance with IFRS 8 'Operating Segments'. An impairment loss is determined by estimating the recoverable amount of a cash-generating unit to which goodwill has been allocated. In the event the recoverable amount of a cash-generating unit is lower than its carrying value, an impairment charge shall be recognized. It is not possible to reverse any impairment loss that was previously recognized on goodwill.

In the event a cash-generating unit contains goodwill and a part of business of this cash-generating unit is sold, goodwill related to the disposed business shall be included in its carrying value for the purpose of determining a gain or loss on disposal of that business. In such circumstances the value of goodwill sold shall be measured as a proportion of the value of business disposed to the value of the cash-generating unit retained.

Estimates

Each impairment test requires making estimates of the value in use of cash-generating units or groups of cash-generating units to which goodwill and/or intangible assets with indefinite useful life have been allocated. The value in use is estimated by determining both the future cash flows expected to be achieved from the cash-generating unit or units and a discount rate to be subsequently used in order to calculate the net present value of those cash flows.

Goodwill is presented in the consolidated financial statements in a breakdown corresponding to the Group's operating segments, i.e. Banking Solutions, Payment Solutions, and Dedicated Solutions.

Goodwill is subject to impairment testing on an annual basis and it was tested for impairment as at 31 December 2020.

The starting point for determining the value of cash generating units to which goodwill has been allocated was to estimate the recoverable amount of our investments in subsidiaries, in a breakdown to business units assigned to respective business units at the Group level (i.e. operating segments). Subsequently, the recoverable amounts of individual business units from various subsidiaries were aggregated by operating segments to which they were assigned, together creating the value of the cash-generating unit to which goodwill was allocated.

The recoverable amount of investments in subsidiaries as at 31 December 2020 was determined on the basis of their value in use, applying the forecasted free cash flow to firm (FCFF) based on the financial forecasts approved by our management personnel. The residual value was determined assuming no real growth of the achieved margins after the forecast period.

The calculations were based on the following uniform assumptions:

- the so-called business units were analyzed which, when put together, comprise the budgets and forecasts of individual subsidiaries;
- the detailed forecast covered the period of 5 years at minimum. The first year data were adopted based on the budgets, while forecasted changes in cash flows were assumed for subsequent years. The residual value for later operations of each subsidiary was computed assuming no real changes in cash flows;
- the assumed changes in cash flows depend upon the strategy of the entire Group and plans of individual companies, taking due account of conditions prevailing in particular geographical markets and sectors, and at the same time reflecting the present and potential order backlog. The potential order backlog presumes gaining new clients whilst keeping the present ones. The assumed changes are not materially different from average growth observed in relevant markets;
- the forecasts for foreign subsidiaries assumed growth in their functional currencies, after converting revenues forecasted in the local currency for each market in which the given segment operates to PLN at the exchange rate of 31 December 2020, the rate of revenue growth calculated as the compound annual growth rate (CAGR) in the period of detailed forecast equalled: 4.88% for Banking Solutions, 5.90% for Payment Solutions, and 4.35% for Dedicated Solutions;
- the discount rates applied were equivalent to the weighted average cost of capital determined for individual subsidiaries (a single discount rate was applied for different business segments within one subsidiary). Particular components of the adopted discount rates were determined taking into account the market values of risk-free interest rates, the beta coefficient leveraged to reflect the average market debt/equity ratio, as well as the expected market yield, and depending on the operating market of a given segment section ranged from 7.9% to 24.8%.

Based on the conducted tests, we did not recognize any impairment losses on goodwill in the year ended 31 December 2020 or in the comparable period.

Additionally, the Parent Company carried out a sensitivity analysis of the impairment tests conducted on goodwill arising from the acquisition of shares in its subsidiaries. The analysis of sensitivity shows how much the recoverable amount is going to change if the discount rate is increased by 1 pp with other assumptions remaining constant, or if the revenue growth rate is decreased by 1 pp with other assumptions remaining constant.

The results of such sensitivity analysis carried out as at 31 December 2020 are presented in the following table:

	Discount rate Change by 1 pp	Sales revenue growth rate Change by 1 pp
Banking Solutions	(54,751)	(33,658)
Payment Solutions	(81,191)	(65,144)
Dedicated Solutions	(40,543)	(47,066)

Any reasonable modification of the key assumptions adopted in the model of valuation of goodwill allocated to our operating segments should not indicate a necessity of recognizing any goodwill impairment charges.

6.6. Other financial assets

Selected accounting policies

The Group classifies its financial assets to the following measurement categories specified in IFRS 9:

- measured at fair value through other comprehensive income
- measured at amortized cost
- measured at fair value through profit or loss.

The Group classifies its financial assets based on the Group's business model for managing financial assets and considering the characteristics of contractual cash flows for a particular financial asset. The Group reclassifies its investments in debt securities if, and only if, the model adopted for managing such assets is modified.

At initial recognition, the Group classifies its investments in equity instruments (other than investments in subsidiaries and associates), which are not held for trading and not quoted in an active market, as measured at fair value through other comprehensive income.

Whereas, investments in derivative instruments and equity instruments quoted in an active market are measured at fair value through profit or loss.

Measurement at initial recognition

With the exception of some trade receivables, the Group's financial assets are initially recognized at fair value. In the case of financial assets that are not classified as measured at fair value through profit or loss, at the time of initial recognition, the entity may increase their fair value by transaction costs directly attributable to their acquisition.

Measurement after initial recognition

Measurement of financial assets at amortized cost

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met: (i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that are measured by the Group at amortized cost include: cash and cash equivalents, loans granted (which pass the SPPI classification test), assets from contracts with customers, trade receivables, as well as other receivables which are in the scope of IFRS 9.

Trade receivables with a maturity of less than 12 months are measured at an amount due for payment, less any allowance for expected losses. Long-term receivables that are within the scope of IFRS 9 are discounted as at the reporting date.

The Group measures its financial assets at amortized cost using the effective interest method.

Interest income on investments in debt securities is recognized by the Group as financial income. On disposal of investments in debt securities, the Group recognizes cumulative gains/losses through profit or loss.

Measurement of financial assets at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met: (i) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that are measured by the Group at fair value through other comprehensive income include: treasury and corporate bonds, as well as investments in equity instruments of companies not quoted in an active market.

Interest income on investments in debt securities is recognized by the Group as financial income. Dividends on equity instruments measured at fair value through other comprehensive income are recognized by the Group as financial income.

On disposal of investments in debt securities, the Group recognizes cumulative gains/losses through profit or loss. At the time of derecognition of an investment in equity instruments measured at fair value through other comprehensive income, cumulative gains or losses arising from the fair value measurement of that investment that were previously recognized in other comprehensive income, are not reclassified by the Group to profit or loss. However, such revaluation gains and losses may be transferred to another item within equity, for example to retained earnings.

Measurement of financial assets at fair value through profit or loss

Changes in the fair values of financial assets classified to this category are recognized by the Group through profit or loss. Interest income and dividends received on equity instruments quoted in an active market are recognized as financial income.

Derecognition

A financial asset is derecognized by the Group when: (i) the contractual rights to the cash flows from the financial asset expire, or (ii) the contractual rights to the cash flows from the financial asset have been transferred by the Group along with substantially all the risks and rewards of ownership of the financial asset.

Impairment of financial assets

IFRS 9 introduced a new model for estimating impairment losses on financial assets. The model of incurred losses as required by IAS 39 has been replaced with the model of impairment based on expected losses.

The expected loss impairment model applies to financial assets measured at amortized cost as well as to financial assets measured at fair value through other comprehensive income, except for investments in equity instruments.

In order to estimate impairment losses on financial assets, the Group applies the following approaches:

- general approach,
- simplified approach.

The Group applies the general approach for financial assets measured at fair value through other comprehensive income as well as for financial assets measured at amortized cost, except for receivables and contract assets.

Under the general approach, the Group estimates impairment losses on financial assets using a three-stage model based on changes in the credit risk of financial assets since their initial recognition.

Where the credit risk of financial assets has not increased significantly since initial recognition (stage 1), the Group estimates an allowance for 12-month expected credit losses. Where the credit risk of financial assets has increased significantly since initial recognition (stages 2 and 3), the Group estimates an allowance for expected credit losses over the lifetime of financial instruments.

At each reporting date, the Group analyzes if there are indications of a significant increase in the credit risk of financial assets held.

In the case of trade receivables and assets from contracts with customers, the Group applies the simplified approach and therefore changes in credit risk are not monitored, while an impairment allowance is measured at an amount equal to expected credit losses over the lifetime of receivables. Detailed information on estimating impairment losses has been provided in explanatory note 6.8 to these consolidated financial statements.

Both as at 31 December 2020 and 31 December 2019, apart from receivables and cash and cash equivalents described in other notes, the Group also held other financial assets as presented in the table below.

	31 Dec. 2020		31 Dec. 2019	
	Long-term PLN'000	Short-term PLN'000	Long-term PLN'000	Short-term PLN'000
Financial assets carried at fair value through profit or loss, of which:				
Currency forward contracts	-	-	109	-
Other assets	-	2	-	4
	-	2	109	4
Financial assets carried at fair value through other comprehensive income, of which:				
Shares in companies quoted in an active market	53	26	53	25
Shares in companies not quoted in an active market	21	-	20	-
	74	26	73	25
Financial assets carried at amortized cost, of which:				
<i>Loans granted, of which:</i>				
granted to related parties	315	-	-	-
granted to employees	-	8	-	13
granted to other entities	-	4	-	3
Short-term deposits	4,776	8	4,488	527
	5,091	20	4,488	543
Total	5,165	48	4,670	572

The line of 'Financial assets carried at amortized cost – cash deposits' includes term bank deposits with an original maturity of more than 3 months that are held by ASEE Macedonia. These cash deposits, to a large extent, serve as collateral for a bank guarantee used under an IT project that is implemented for a public administration institution.

Changes in the fair value measurement of financial instruments carried at fair value, and changes in the classification of financial instruments

In the period of 12 months ended 31 December 2020, the Group did not change its methods for measuring the fair value of financial instruments carried at fair value nor did it transfer any instruments between individual levels of the fair value hierarchy.

Both as at 31 December 2020 and 31 December 2019, the fair values of financial assets were not significantly different from their book values.

As at 31 December 2020	Carrying value PLN'000	Level 1 ⁱ⁾ PLN'000	Level 2 ⁱⁱ⁾ PLN'000	Level 3 ⁱⁱⁱ⁾ PLN'000
Financial assets carried at fair value through profit or loss				
Currency forward contracts	-	-	-	-
Other assets	2	-	-	2
Total	2	-	-	2
Financial assets carried at fair value through other comprehensive income				
Shares in companies quoted in an active market	79	79	-	-
Shares in companies not listed on regulated markets	21	-	-	21
Total	100	79	-	21

- fair value determined on the basis of quoted prices offered in active markets for identical assets;
- fair value determined using calculation models based on inputs that are observable, either directly or indirectly, in active markets;
- fair value determined using calculation models based on inputs that are not observable, neither directly or indirectly, in active markets.

As at 31 December 2019	Carrying value PLN'000	Level 1 ⁱ⁾ PLN'000	Level 2 ⁱⁱ⁾ PLN'000	Level 3 ⁱⁱⁱ⁾ PLN'000
------------------------	---------------------------	----------------------------------	-----------------------------------	------------------------------------

Financial assets carried at fair value through profit or loss				
Currency forward contracts	109	-	109	-
Other assets	4	-	-	4
Total	113	-	109	4
Financial assets carried at fair value through other comprehensive income				
Shares in companies quoted in an active market	78	78	-	-
Shares in companies not listed on regulated markets	20	-	-	20
Total	98	78	-	20

Descriptions of the fair value hierarchy levels are identical to those provided under the table above.

6.7. Prepayments and accrued income

Selected accounting policies

Prepayments comprise expenses incurred before the end of the reporting period that relate to future periods or to future revenues. Prepayments include in particular: (i) prepaid third-party services (inclusive of maintenance services) which shall be provided in future periods, (ii) advance payments of insurance, subscription, rental fees, etc., and (iii) any other expenses incurred in the current period but related to future periods.

Moreover, the Group capitalizes the costs incurred in obtaining a contract with a customer or in fulfilling a contract with a customer, if those costs are expected to be recovered by the Group.

Costs of contracts with customers

The costs of obtaining a contract are those additional (incremental) costs incurred by the Group in order to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Group recognizes such costs as an asset if it expects to recover those costs. Such capitalized costs of obtaining a contract shall be amortized over a period when the Group satisfies the performance obligations arising from the contract.

As a practical expedient, the Group recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Group would have otherwise recognized is one year or less.

Costs to fulfil a contract are the costs incurred in fulfilling a contract with a customer. The Group recognizes such costs as an asset if they are not within the scope of another standard (for example, IAS 2 'Inventories', IAS 16 'Property, Plant and Equipment' or IAS 38 'Intangible Assets') and if those costs meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract with a customer,
- the costs generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future, and
- the costs are expected to be recovered by the Group.

As at 31 December 2020 and 31 December 2019, prepayments and accrued income included the following items:

	31 Dec. 2020		31 Dec. 2019	
	Long-term PLN'000	Short-term PLN'000	Long-term PLN'000	Short-term PLN'000
Prepaid services, of which:	6,142	27,240	613	20,162
<i>maintenance services and license fees</i>	6,141	24,039	560	17,543
<i>insurances</i>	-	955	-	783
<i>rents and averaging of instalments under operating leases</i>	-	207	-	340
<i>prepaid consulting services</i>	-	46	-	116
<i>other services</i>	1	1,993	53	1,380
Expenses related to services performed for which revenues have not been recognized yet	-	2,552	-	153
Other prepayments and accrued income	-	1,199	1	1,431
Total	6,142	30,991	614	21,746

6.8. Receivables and contract assets

Selected accounting policies

Contract assets represent the right to payment in exchange for goods or services that the entity transferred to the customer. Contract assets include receivables arising from valuation of IT contracts and from uninvoiced deliveries. Receivables from valuation of IT contracts result from the excess of the percentage of completion of implementation contracts over invoices issued. In the case of such assets, the Group has fulfilled its performance obligation but the right to payment is conditioned on something other than just the passage of time, which distinguishes contract assets from trade receivables. Receivables from uninvoiced deliveries arise from the supply of services which were performed during the reporting period (the Group has completed its performance obligation), but have not been invoiced until the end of the reporting period.

Trade receivables represent receivables arising from the sale of goods and services, as well as receivables from operating leases. Trade receivables, usually with payment terms ranging from 14 and 30 days, are recognized and disclosed at the amounts initially invoiced, less any allowances for doubtful receivables. Receivables with remote payment terms are recognized at the present value of expected payments, less any allowances for expected credit losses.

Allowances for trade receivables

In estimating an allowance for trade receivables, the Company applies the simplified approach whereby the impairment allowance is measured at an amount equal to expected credit losses over the lifetime of receivables. In order to estimate such expected credit losses, the Group uses a provisioning matrix prepared on the basis of historical payments received from customers, where appropriate adjusted by the impact of forward-looking information. For this purpose, the Group allocates its customers into homogeneous groups from which receivables are statistically analyzed in respect of aging and collection, based on data from minimum 2 years back.

The amount of impairment allowances is revised at each reporting date.

For trade receivables that are past-due more than 180 days, apart from the statistical method of estimating the amount of impairment loss based on the provisioning matrix, the Group also applies individual approach. For each amount of trade receivables that is significant and past-due more than 180 days, the management shall exercise professional judgment taking into account the contractor's financial standing and general market conditions.

Impairment allowances for trade receivables and contract assets are recognized under operating activities.

In the case of other receivables and other financial assets, impairment allowances are measured at an amount equal to the 12-month expected credit losses. Where the credit risk on a financial instrument has increased significantly since initial recognition, the Group shall measure the loss allowance for that financial instrument at an amount equal to the lifetime expected credit losses.

Allowances for other receivables are recognized under other operating activities or under financial activities if such receivables resulted from the sale of investments or other activities whose costs and revenues are by principle disclosed in financial activities.

Allowances for accrued interest receivable are recognized as financial expenses.

If the cause for recognition of an allowance is no longer valid, such allowance shall be reversed in the whole amount or appropriate portion, and increase in the value of the relevant asset.

Estimates

Each time, the Group exercises professional judgment involving the assessment of the percentage of completion of IT implementation contracts in relation to invoices issued. Similarly, a certain amount of estimates and professional judgment is needed in allocating the transaction price to individual performance obligations, which in turn affects the recognition of receivables/assets from contracts with customers.

The Group estimates the amount of allowances for receivables and assets from contracts with customers in accordance with the new requirements of IFRS 9 'Financial Instruments'. In the simplified approach, this requires a statistical analysis which in principle involves making certain assumptions and applying professional judgment.

The table below presents the amounts of receivables as at 31 December 2020 as well as at 31 December 2019.

	31 Dec. 2020		31 Dec. 2019	
	Long-term PLN'000	Short-term PLN'000	Long-term PLN'000	Short-term PLN'000
Trade receivables, of which:	-	207,672	-	164,530
Trade receivables:	-	205,436	-	162,866
from related parties	-	1,742	-	1,374
from other entities	-	203,694	-	161,492
Receivables from operating leases	-	8,609	-	7,690
Allowances for trade receivables	-	(6,373)	-	(6,026)
Corporate income tax receivable	-	2,105	-	1,364
Receivables from the state and local budgets	-	5,100	-	2,008
Value added tax	-	3,350	-	649
Other	-	1,750	-	1,359
Other receivables	821	3,970	724	2,889
Security deposits receivable	819	1,272	724	986
Other receivables	2	2,784	-	1,903
Allowance for other doubtful receivables	-	(86)	-	-
Total receivables	821	218,847	724	170,791

The table below presents assets from contracts with customers as at 31 December 2020 as well as at 31 December 2019.

Contract assets	31 Dec. 2020		31 Dec. 2019	
	Long-term	Short-term	Long-term	Short-term
	PLN'000	PLN'000	PLN'000	PLN'000
Uninvoiced receivables	-	11,938	-	8,667
from related parties	-	497	-	-
from other entities	-	11,441	-	8,667
Receivables from valuation of IT contracts	-	17,687	-	19,383
from related parties	-	238	-	-
from other entities	-	17,449	-	19,383
Total contract assets	-	29,625	-	28,050

During the period of 12 months ended 31 December 2020, assets from contracts with customers changed as follows:

	12 months ended 31 Dec. 2020	12 months ended 31 Dec. 2019
	PLN'000	PLN'000
Contract assets as at 1 January	28,050	19,022
Reclassification of contract assets due to obtaining an unconditional right to payment	(58,593)	(39,398)
Fulfilment of new uninvoiced performance obligations; changes in estimated transaction prices, modification of other assumptions	59,179	48,568
Impairment losses	(296)	-
Differences on foreign currency translation of subsidiaries	1,285	(142)
Contract assets as at 31 December	29,625	28,050

Related party transactions have been presented in explanatory note 6.20 to these consolidated financial statements.

The balance of other receivables includes, among others, receivables relating to guarantees of due performance of contracts (i.e. cash security provided to customers in order to compensate for their potential losses should we fail to fulfil any contractual obligations), receivables from disposal of tangible assets, receivables from security deposits paid-in, as well as other receivables.

The Group has adopted a relevant policy that allows for selling products and services to verified customers. Owing to that, in the Management's opinion the credited sales risk would not exceed the level covered with allowances for doubtful receivables.

The table below presents the ageing structure of gross receivables (i.e. before allowances and discounts) as at 31 December 2020 and 31 December 2019.

	31 Dec. 2020		31 Dec. 2019	
	PLN'000	%	PLN'000	%
Receivables not yet due	176,931	83%	121,911	71%
Past-due receivables	37,114	17%	48,645	29%
Receivables past-due up to 3 months	26,847	13%	28,733	17%
Receivables past-due from 3 to 6 months	4,090	2%	11,788	7%
Receivables past-due from 6 to 12 months	1,616	1%	4,052	2%
Receivables past-due over 12 months	4,561	2%	4,072	2%
Total trade receivables, gross (before allowances)	214,045	100%	170,556	100%
Allowances for trade receivables	(6,373)		(6,026)	
Book value of trade receivables	207,672		164,530	

The Group has concluded that its assets from contracts with customers are not exposed to credit risk, and therefore it is not necessary to recognize any allowances for expected credit losses related to these assets.

Changes in the amount of allowances for trade receivables during the period of 12 months ended 31 December 2020 and in the comparable period are presented in the table below:

Allowances for trade receivables	12 months ended 31 Dec. 2020 PLN'000	12 months ended 31 Dec. 2019 PLN'000
As at 1 January	(6,026)	(3,099)
Recognized during the reporting period	(4,442)	(5,524)
Utilized during the reporting period	151	414
Reversed during the reporting period	4,527	2,496
Acquisition of subsidiaries	(416)	(473)
Foreign currency translation differences	(167)	160
As at 31 December	(6,373)	(6,026)

6.9. Inventories

Selected accounting policies

The Group distinguishes two categories of inventories: goods for resale, and service parts (spare parts and computer hardware that have been purchased for the purposes of maintenance service contracts).

Inventories are measured by the Group at the lower of the following two values: purchase cost/production cost or net value realizable upon sale.

The initial value of service parts is expensed on a straight-line basis over the duration of the maintenance service contract, for which such parts have been purchased. The value of consumed inventories is measured using the specific identification method.

At each reporting date, the Group analyzes whether the carrying value of inventories is higher than or equal to their net realizable value. Impairment losses on inventories are recognized as operating expenses.

The table below presents inventories as at 31 December 2020 and in the comparable period:

Inventories	31 Dec. 2020 PLN'000	31 Dec. 2019 PLN'000
Computer hardware, third-party software licenses and other goods for resale	32,696	39,146
Computer hardware, spare parts and other materials intended for the performance of repair/maintenance services	12,581	12,060
Impairment losses on inventories	(17,365)	(13,991)
Total	27,912	37,215

Changes in the amount of impairment losses on inventories during the period of 12 months ended 31 December 2020 and in the comparable period are presented in the table below:

Impairment losses on inventories	12 months ended 31 Dec. 2020 PLN'000	12 months ended 31 Dec. 2019 PLN'000
As at 1 January	(13,991)	(13,137)
Recognized during the reporting period	(4,580)	(4,428)
Utilized during the reporting period	1,233	76
Reversed during the reporting period	2,681	5,243
Obtaining of control over subsidiaries	(1,705)	(1,904)
Foreign currency translation differences	(1,003)	159
As at 31 December	(17,365)	(13,991)

6.10. Cash and cash equivalents

Selected accounting policies

Cash and cash equivalents presented in the statement of financial position comprise cash at bank and on hand, short-term bank deposits with initial maturities not exceeding 3 months, and other highly liquid instruments.

The balance of cash and cash equivalents disclosed in the consolidated statement of cash flows consists of the above-defined cash and cash equivalents. For the purposes of the statement of cash flows, the Group decided not to include bank overdraft facilities (used as an element of financing for current operations) nor restricted cash in the balance of cash and cash equivalents.

The table below presents cash and cash equivalents as at 31 December 2020 and in the comparable period:

	31 Dec. 2020	31 Dec. 2019
	PLN'000	PLN'000
Cash at bank and on hand	180,779	139,854
Cash at split payment accounts	276	341
Short-term bank deposits (up to 3 months)	67,956	59,190
Cash in transit and other cash equivalents	17	278
Total cash and cash equivalents as disclosed in the statement of financial position	249,028	199,663
Interest accrued on cash and cash equivalents	(76)	(46)
Bank overdraft facilities utilized for current liquidity management	(92)	(8,956)
Total cash and cash equivalents as disclosed in the cash flow statement	248,860	190,661

6.11. Share capital and share premium

Share capital

The Parent Company's share capital as at 31 December 2020 and in the comparable period amounted to PLN 518,942,510.00 and has been fully paid up. The share capital is divided into 51,894,251 ordinary shares with a par value of PLN 10 each. The Parent Company has not issued any preference shares. The Parent Company's authorized capital is equal to its share capital.

Share premium

Equity includes share premium in the amount of PLN 30,395 thousand arising from the issuances of shares of series L, M and N, which was decreased by the incurred share issuance costs of PLN 3,605 thousand (recognized in 2009), as well as share premium in the amount of PLN 11,759 thousand arising from the issuance of shares of series P, R and S, which was decreased by the incurred share issuance costs of PLN 84 thousand (recognized in 2010). The share premium was additionally increased by the amount of PLN 396 thousand due to the reversal of a provision for issuance related expenses, and decreased by other costs of PLN 36 thousand.

6.12. Non-controlling interests

Selected accounting policies

For each acquisition of a subsidiary company, the Group measures the value of non-controlling interests as at the acquisition date using the method of proportionate share in identifiable net assets of the entity acquired, or at fair value.

The table below presents changes in non-controlling interests:

	31 Dec. 2020	31 Dec. 2019 (restated)
	PLN'000	PLN'000
As at 1 January	2,051	1,664
Share in profits of subsidiaries	1,642	1,303
Acquisition of non-controlling interests	114	8,914
Transactions with non-controlling interests (including contingent financial liabilities to non-controlling shareholders (put options))	(1,100)	(10,371)
Increase of share capital in subsidiaries	-	1,119
Dividends paid out to non-controlling shareholders	(462)	(452)
Differences on foreign currency translation of subsidiaries	215	(126)
As at 31 December	2,460	2,051

The line of 'Acquisition of non-controlling interests' as at 31 December 2020 is related to the acquisition of IPS company, in which the Group holds 76% of shares.

The line of 'Transactions with non-controlling interests (including contingent financial liabilities to non-controlling shareholders (put options))' represents the reclassification of non-controlling interests (to which a portion of financial results and other changes in equity of subsidiaries attributable to non-controlling interests are allocated during a year) as a financial liability, as if such puttable equity instrument was redeemed on that date. This item is related to put options that were granted to non-controlling shareholders of our subsidiaries Necomplus, Monri and IPS.

6.13. Lease liabilities

Selected accounting policies

Lease liabilities – initial recognition

At the lease commencement date, the Group measures the lease liability at the present value of lease payments outstanding at that date. The lease payments are discounted by the Group using the incremental borrowing rate. The lease payments comprise: fixed payments (including in-substance fixed lease payments), less any lease incentives receivable; variable lease payments that depend on an index or a rate; amounts expected to be payable under residual value guarantees; the exercise price of a purchase option (if the Group is reasonably certain to exercise that option); and payments of penalties for terminating the lease (if the Group is reasonably certain to exercise that option).

Variable lease payments that do not depend on an index or a rate are immediately recognized as expenses in the period in which the event or condition that triggers those payments occurs.

Lease liabilities – subsequent measurement

In subsequent periods, the amount of the lease liability is reduced by the lease payments made and increased by interest accrued on that liability. Such interest is calculated by the Group using the lessee's incremental borrowing rate, which constitutes the sum of the risk-free interest rate (being determined by the Group companies based on the quotations of relevant IRS derivatives or interest rates on government bonds for relevant currencies) and the credit risk premium for the Group companies (being quantified on the basis of margins offered to the Group companies on investment loans adequately secured with assets of these companies).

If a lease contract is subject to modification involving a change in the lease term, a revised amount of in-substance fixed lease payments, or a change in the assessment of an option to purchase the underlying asset, then the lease liability shall be remeasured to reflect such changes. Remeasurement of the lease liability requires making a corresponding adjustment to the right-of-use asset.

Estimates

The lease payments are discounted by the Group using the incremental borrowing rate that needs to be determined on the basis of the risk-free interest rate and the credit risk premium for the Group companies, which is quantified on the basis of margins offered to the Group companies on investment loans adequately secured with assets of these companies.

Some lease contracts contain options to extend or terminate the lease. The Group also concludes contracts for an indefinite period. The Management exercises judgment in order to determine the period over which it can be reasonably assumed that such contracts will be continued.

As at 31 December 2020, the Group was a lessee under lease contracts. Assets leased under such contracts included:

- office and warehouse space,
- cars,
- IT hardware,
- other assets.

The table below presents the amounts of lease liabilities as at 31 December 2020 as well as at 31 December 2019.

Lease liabilities	31 Dec. 2020		31 Dec. 2019	
	Long-term PLN'000	Short-term PLN'000	Long-term PLN'000	Short-term PLN'000
Leases of real estate	32,453	13,319	37,650	12,402
Leases of transportation vehicles	5,149	3,595	5,677	3,533
Leases of IT hardware	2,245	2,081	4,162	2,988
	39,847	18,995	47,489	18,923

Leases of real estate

Net value of office buildings which are held under finance lease contracts amounted to PLN 43,158 thousand as at 31 December 2020, as compared with PLN 47,575 thousand as at 31 December 2019.

Future minimum cash flows and liabilities arising from leases of real estate are as follows:

	31 Dec. 2020 PLN'000	31 Dec. 2019 PLN'000
Minimum lease payments		
in the period shorter than 1 year	14,629	14,134
in the period from 1 to 5 years	30,446	35,698
in the period longer than 5 years	3,546	4,052
Future minimum lease payments	48,621	53,884
Future interest expenses	(2,849)	(3,832)
Present value of lease liabilities	45,772	50,052
in the period shorter than 1 year	13,319	12,402
in the period from 1 to 5 years	29,030	33,756
in the period longer than 5 years	3,423	3,894
Lease liabilities	45,772	50,052

Within the Group, the average effective interest rate on the above-mentioned leases equalled 3.1% as at 31 December 2020.

Leases of cars, IT hardware and other assets

The net value of IT hardware, cars and other assets which are held under lease contracts amounted to PLN 12,553 thousand as at 31 December 2020, as compared with PLN 17,480 thousand as at 31 December 2019.

The aggregate future cash flows and liabilities arising from leases of cars, IT hardware and other assets are as follows:

	31 Dec. 2020 PLN'000	31 Dec. 2019 PLN'000
Minimum lease payments		
in the period shorter than 1 year	6,148	6,845
in the period from 1 to 5 years	7,558	10,413
in the period longer than 5 years	-	-
Future minimum lease payments	13,706	17,258
Future interest expenses	(636)	(898)
Present value of lease liabilities	13,070	16,360
in the period shorter than 1 year	5,676	6,521
in the period from 1 to 5 years	7,394	9,839
in the period longer than 5 years	-	-
Lease liabilities	13,070	16,360

Within the Group, the average effective interest rate on the above-mentioned leases equalled 3.9% as at 31 December 2020.

The table below presents the amounts of income, expenses, profits and losses arising from lease contracts that have been recognized in the consolidated statement of profit and loss / statement of comprehensive income:

	31 Dec. 2020 PLN'000	31 Dec. 2019 PLN'000
Depreciation of right-of-use assets	(22,575)	(16,677)
Interest expenses on lease liabilities	(2,189)	(1,981)
Costs of short-term leases	(4,726)	(5,134)
Costs of leases of low-value assets	(285)	(269)
Total amount recognized in the consolidated statement of profit and loss	(29,775)	(24,061)

6.14. Bank loans and borrowings

Selected accounting policies

The Group classifies its financial liabilities to the following categories:

- measured at amortized cost,
- measured at fair value through profit or loss.

Financial liabilities measured by the Group at amortized cost include: bank loans, borrowings and debt securities. Other financial liabilities are measured by the Group at fair value through profit or loss, except for liabilities from the acquisition of non-controlling interests in subsidiaries (put options) that are accounted for in accordance with IFRS 3.

All bank loans and borrowings are initially recognized at their purchase cost, representing the fair value of cash received net of any transaction costs directly attributable to incurring financial liabilities.

Subsequently to initial recognition, bank loans and borrowings are measured at amortized cost using the effective interest method. Determination of the amortized cost shall take into account the costs related to obtaining a bank loan or borrowing, as well as any discounts or bonuses received upon repayment of the liability.

A financial liability is removed by the Group from its statement of financial position when it is extinguished, this is when the obligation specified in the contract is discharged or cancelled or expires. The difference between the carrying value of a financial liability extinguished and the consideration paid, including any non-cash assets transferred, shall be recognized in profit or loss.

The table below presents the Group's debt outstanding as at 31 December 2020 and 31 December 2019.

	Currency	Repayment date	31 Dec. 2020		31 Dec. 2019	
			Long-term	Short-term	Long-term	Short-term
			PLN'000	PLN'000	PLN'000	PLN'000
Bank overdraft facilities			-	92	-	8,956
fixed interest rate	MKD	10.01.2021	-	20	-	60
fixed interest rate	EUR	10.01.2021	-	26	-	125
fixed interest rate	TRY	12.01.2021	-	37	-	55
fixed interest rate	COP	31.03.2021	-	9	-	58
fixed interest rate	EUR	31.01.2020	-	-	-	8,658
Other bank loans			29,139	28,097	40,061	37,573
1M EURIBOR + margin	EUR	15.06.2021	-	-	-	4,516
1M EURIBOR + margin	EUR	31.07.2023	8,178	7,802	14,746	10,023
3M EURIBOR + margin	EUR	30.06.2024	8,388	3,355	10,857	3,102
3M EURIBOR + margin	EUR	31.12.2022	982	1,820	2,590	1,682
3M EURIBOR + margin	EUR	21.09.2020	-	-	-	656
3M EURIBOR + margin	EUR	21.09.2022	1,208	805	521	298
3M EURIBOR + margin	EUR	05.06.2023	238	317	1,895	757
6M EURIBOR + margin	EUR	13.03.2020	-	-	-	110
6M EURIBOR + margin	EUR	31.12.2020	-	-	-	426
6M EURIBOR + margin	EUR	08.02.2021	-	928	-	-
1Y EURIBOR + margin	EUR	30.06.2022	12	23	31	22
fixed interest rate	EUR	31.03.2021	-	246	227	908
fixed interest rate	EUR	02.04.2020	-	-	-	236
fixed interest rate	EUR	28.06.2021	-	905	851	1,703
fixed interest rate	EUR	04.06.2021	-	1,509	1,419	2,838
fixed interest rate	EUR	03.06.2022	1,358	2,716	3,831	2,554
fixed interest rate	EUR	02.07.2021	-	1,760	1,655	2,601
fixed interest rate	EUR	28.08.2021	-	241	227	341
fixed interest rate	COP	28.09.2020	-	-	-	81
fixed interest rate	EUR	30.06.2024	4,326	1,731	1,211	3,784
fixed interest rate	EUR	27.09.2020	-	-	-	131
fixed interest rate	EUR	01.02.2020	-	-	-	56
fixed interest rate	EUR	31.12.2020	-	582	-	628
fixed interest rate	EUR	15.11.2020	-	-	-	120
fixed interest rate	PEN	13.02.2023	92	73	-	-
fixed interest rate	EUR	01.03.2022	69	276	-	-
fixed interest rate	EUR	05.02.2024	667	229	-	-
fixed interest rate	EUR	22.04.2023	3,621	2,715	-	-
fixed interest rate	TRY	01.04.2021	-	64	-	-
Loans			-	1,956	3,194	3,213
3M EURIBOR + margin	EUR	30.06.2021	-	1,956	3,194	3,213
Total			29,139	30,145	43,255	49,742

The Group's total debt amounted to PLN 59,284 thousand as at 31 December 2020, as compared with PLN 92,997 thousand as at 31 December 2019. The total amount of debt decreased primarily as a result of repayment of instalments under bank loans that were obtained for financing of infrastructure being used in our payment processes outsourcing projects.

Total proceeds from and repayments of bank loans disclosed in the statement of cash flows for the year 2020 amounted to PLN 9,939 thousand (proceeds) and PLN 42,822 thousand (repayments).

As at 31 December 2020, tangible assets with a book value of PLN 8,087 thousand and trade receivables in the amount of PLN 4,013 thousand served as collateral for bank loans. As at 31 December 2020, liabilities that were secured with such assets amounted to PLN 2,602 thousand.

As at 31 December 2019, tangible assets with a book value of PLN 8,674 thousand and trade receivables in the amount of PLN 4,844 thousand served as collateral for bank loans. As at 31 December 2019, liabilities that were secured with such assets amounted to PLN 8,526 thousand.

In the reporting period, the margins realized by lenders to ASEE Group companies ranged from 1.2 to 4.2 percentage points on an annual basis. Whereas, in the comparable period such margins ranged from 1.2 to 6.0 percentage points per annum.

Some loans obtained from banks come with the so-called covenants which impose an obligation to maintain certain financial ratios at the levels required by the bank. These ratios are related to the level of indebtedness, e.g. debt to EBITDA. Both as at 31 December 2020 and 31 December 2019, ASEE Group companies did not infringe on any covenants defined in their loan agreements.

Fair value of financial liabilities

In the period of 12 months ended 31 December 2020, the Group did not transfer any debt instruments between individual levels of the fair value hierarchy.

Both as at 31 December 2020 and 31 December 2019, the fair values of bank loans were not significantly different from their book values.

As at 31 December 2020	Carrying value PLN'000	Level 1 ⁱ⁾ PLN'000	Level 2 ⁱⁱ⁾ PLN'000	Level 3 ⁱⁱⁱ⁾ PLN'000
Interest-bearing bank loans and borrowings				
Bank loans	57,328	-	-	57,328
- overdraft facilities	92	-	-	92
- non-revolving loans	57,236	-	-	57,236
Loans	1,956	-	-	1,956
Total	59,284	-	-	59,284

- i. fair value determined on the basis of quoted prices offered in active markets for identical assets;
- ii. fair value determined using calculation models based on inputs that are observable, either directly or indirectly, in active markets;
- iii. fair value determined using calculation models based on inputs that are not observable, neither directly or indirectly, in active markets.

As at 31 December 2019	Carrying value PLN'000	Level 1 ⁱ⁾ PLN'000	Level 2 ⁱⁱ⁾ PLN'000	Level 3 ⁱⁱⁱ⁾ PLN'000
Interest-bearing bank loans and borrowings				
Bank loans	86,590	-	-	86,590
- overdraft facilities	8,956	-	-	8,956
- non-revolving loans	77,634	-	-	77,634
Loans	6,407	-	-	6,407
Total	92,997	-	-	92,997

Descriptions of the fair value hierarchy levels are identical to those provided under the table above.

6.15. Other financial liabilities

Selected accounting policies

Liabilities under put options represent liabilities arising from agreements concluded with shareholders or non-controlling shareholders of subsidiary companies. Under such agreements, the Group has an obligation to purchase equity instruments which is recognized at the estimated amount of future payment, even if such purchase obligation is conditional on the counterparty's exercise of its contractual right to cause such redemption (e.g. in situation where non-controlling shareholders are entitled to put shares of a subsidiary to be purchased by the parent company). If the purchase agreement does not provide for the transfer to the parent company of any benefits incidental to ownership of an equity instrument subject to a put option, then at each reporting date non-controlling interests (to which a portion of net profit attributable to non-controlling interests is still allocated) are reclassified by the Group as a financial liability, as if such puttable equity instrument was redeemed on that date. Changes in the amount of such reclassified items are recognized directly in the Group's equity, under 'Transactions with non-controlling interests'.

If, under the purchase agreement, benefits incidental to ownership of such puttable equity instruments shall be transferred to the Parent Company (present ownership), then at the date of obtaining control as well as at each subsequent reporting date, non-controlling interests resulting from such puttable equity instruments are not recognized. Hence, a business combination is accounted for as if, at the date of obtaining control, the Parent Company acquired not only an equity interest in a subsidiary but also any existing puttable equity instruments. Liabilities under put options are measured at fair value at each reporting date, whereas any changes in such estimates are recognized in the statement of profit and loss (as financial income/expenses). The share of profits attributable to puttable equity interests is allocated to the Parent Company, whereas any dividends paid out to non-controlling shareholders are recognized as financial expenses.

Deferred payments for the acquisition of shares

Liabilities under deferred payments for the acquisition of shares are recognized at the present value of the agreed consideration and they increase the purchase price of the controlling interest.

Conditional payments for the acquisition of shares

Liabilities under conditional payments for the acquisition of shares are recognized at the present value of the expected payment and they increase the purchase price of the controlling interest. In contrast to deferred payments, the amount of conditional payments may change at each reporting date due to changes in the probability of meeting the conditions set out in the agreement concluded with the seller of shares. Any changes in the amount of liabilities under conditional payments for the controlling interest are recognized as financial income or expenses, respectively.

Financial derivative instruments

Derivative instruments utilized by the Group in order to hedge against the risk of changes in foreign currency exchange rates include primarily currency forward contracts. Such financial derivatives are measured at fair value. Derivative instruments are recognized as assets if their value is positive or as liabilities if their value is negative.

Gains and losses resulting from changes in the fair value of derivatives are recognized directly in net financial profit or loss of the year in which they occurred.

The fair value of currency forward contracts is determined on the basis of the forward exchange rates available currently for contracts with similar maturity.

Estimates

As at 31 December 2020, the Group recognized liabilities under future conditional payments to the sellers of controlling interests in our subsidiaries, as well as liabilities under put options granted to non-controlling shareholders. Determination of the amounts payable under such liabilities required making estimates of future financial results of our subsidiaries.

Financial liabilities	31 Dec. 2020		31 Dec. 2019	
	Long-term	Short-term	Long-term	Short-term
	PLN'000	PLN'000	PLN'000	PLN'000
Liabilities under deferred and/or conditional payments for controlling interests	4,006	21,114	11,692	13,876
Liabilities from the acquisition of non-controlling interests in subsidiaries (put options)	21,874	-	16,819	-
Currency forward contracts	5	74	46	-
Other financial liabilities	-	2	-	3
	25,885	21,190	28,557	13,879

As at 31 December 2020, ASEE Group recognized liabilities amounting to PLN 18,547 thousand under put options that were granted to non-controlling shareholders of Necomplus company, liabilities amounting to PLN 1,001 thousand under put options that were granted to non-controlling shareholders of Monri company, as well as liabilities amounting to PLN 2,326 thousand under put options that were granted to non-controlling shareholders of IPS company. These liabilities have been estimated using the price calculation formula as defined in the agreement, i.e. the company's profit for the contractual term multiplied by a predetermined coefficient, and in the case Necomplus additionally adjusted for net cash held by Necomplus Group.

Short-term liabilities arising from deferred payments for controlling interests are related to the acquisition of shares in Necomplus S.L. (PLN 4,932 thousand).

Short-term liabilities arising from conditional payments for controlling interests are related to the acquisition of shares in Mobven company (PLN 10,479 thousand) and in Gastrobit company (PLN 5,703 thousand). Long-term liabilities arising from conditional payments for controlling interests are related to the acquisition of shares in IPS company (PLN 4,006 thousand). The above-mentioned liabilities have been estimated using the price calculation formula as defined in the acquisition agreement, which corresponds to the company's profit for the contractual term multiplied by a predetermined coefficient.

Both as at 31 December 2020 and 31 December 2019, the fair values of financial liabilities were not significantly different from their book values.

As at 31 December 2020	Carrying value PLN'000	Level 1 ⁱ⁾ PLN'000	Level 2 ⁱⁱ⁾ PLN'000	Level 3 ⁱⁱⁱ⁾ PLN'000
Financial liabilities				
liabilities from the acquisition of shares – deferred and conditional payments for controlling interests	25,120	-	-	25,120
liabilities from the acquisition of non-controlling interests in subsidiaries (put options)	21,874	-	-	21,874
Currency forward contracts	79	-	79	-
Other financial liabilities	2	-	-	2
Total	47,075	-	79	46,996

- i. fair value determined on the basis of quoted prices offered in active markets for identical assets;
ii. fair value determined using calculation models based on inputs that are observable, either directly or indirectly, in active markets;
iii. fair value determined using calculation models based on inputs that are not observable, neither directly or indirectly, in active markets.

As at 31 December 2019	Carrying value PLN'000	Level 1 ⁱ⁾ PLN'000	Level 2 ⁱⁱ⁾ PLN'000	Level 3 ⁱⁱⁱ⁾ PLN'000
Financial liabilities				
liabilities from the acquisition of shares – deferred and conditional payments for controlling interests	25,568	-	-	25,568
liabilities from the acquisition of non-controlling interests in subsidiaries (put options)	16,819	-	-	16,819
Currency forward contracts	46	-	46	-
Other financial liabilities	3	-	-	3
Total	42,436	-	46	42,390

Descriptions of the fair value hierarchy levels are identical to those provided under the table above.

6.16. Trade payables, state budget liabilities, and other liabilities

Selected accounting policies

Trade payables represent liabilities for goods and services received which have been invoiced, as well as payables for uninvoiced deliveries. Trade payables related to operating activities are recognized and disclosed at the amounts due for payment. Such liabilities result from goods and services provided to the Group companies, which have already been invoiced or have not been invoiced yet but receiving such invoices is considered as highly probable by the Management and their amount can be precisely determined.

Liabilities to the state and local budgets represent liabilities resulting from taxes and public levies, as well as from social security contributions and customs duties. Such liabilities are recognized at the amounts due for payment, determined in accordance with regulations applicable in the countries in which the Group companies operate.

Other liabilities include liabilities to employees arising from unpaid salaries as at the reporting date, liabilities from purchases of tangible and intangible assets, as well as other liabilities.

The table below presents the structure of the Group's liabilities outstanding as at 31 December 2020 and 31 December 2019:

	31 Dec. 2020		31 Dec. 2019	
	Long-term PLN'000	Short-term PLN'000	Long-term PLN'000	Short-term PLN'000
Trade payables, of which:	-	111,830	-	109,977
Trade payables	-	102,484	-	100,839
from related parties	-	325	-	142
from other entities	-	102,159	-	100,697
Uninvoiced payables	-	9,346	-	9,138

from related parties	-	62	-	13
from other entities	-	9,284	-	9,125
Corporate income tax payable	-	7,986	-	5,738
Liabilities to the state and local budgets	-	35,062	-	24,231
Value added tax (VAT)	-	19,615	-	15,850
Personal income tax (PIT)	-	4,479	-	2,623
Social insurance	-	10,349	-	5,053
Withholding income tax	-	148	-	155
Other	-	471	-	550
Other liabilities	4,087	27,184	494	19,247
Liabilities to employees (including salaries payable)	-	19,796	-	14,846
Liabilities from purchases of tangible assets and intangible assets	4,034	3,940	445	756
Other liabilities	53	3,448	49	3,645
Total	4,087	182,062	494	159,193

Trade payables are non-interest bearing. Related party transactions are presented in explanatory note 6.20 to these consolidated financial statements.

6.17. Contract liabilities

Selected accounting policies

Liabilities from contracts with customers represent obligations to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

From the time of implementing IFRS 15 by the Group, this is since 1 January 2020, contract liabilities have included liabilities arising from the valuation of IT contracts, deferred income from right-to-access licenses that have not been recognized as at the reporting date, future revenues from the provision of services such as IT support (maintenance) which are recognized over time, as well as advance payments for deliveries of hardware.

Due to the large variety of performance obligations, it is difficult to determine the point in time at which the Group's performance obligations are satisfied. Most often, in the case of contracts for the implementation of comprehensive IT systems and maintenance contracts, the Group fulfils its performance obligations while providing services to customers. In the case of an obligation to provide the customer with a software license (with a right to use), the Group considers its performance obligation to have been fulfilled at the time of granting the license, but not earlier than at the beginning of the period when the customer can start using that software (usually when the license key is provided), which in the Group's opinion is tantamount to transferring the control of the license to the customer.

Estimates

Each time, the Group exercises professional judgment involving the assessment of the percentage of completion of IT implementation contracts in relation to invoices issued, as well as the allocation of the transaction price.

As at 31 December 2020, the Group's liabilities from contracts with customers resulted from obligations listed in the table below.

	31 Dec. 2020		31 Dec. 2019	
	Long-term PLN'000	Short-term PLN'000	Long-term PLN'000	Short-term PLN'000
Liabilities from valuation of IT contracts, of which:	-	23,134	-	13,259
From related parties	-	-	-	-
From other entities	-	23,134	-	13,259
Deferred income from IT projects, of which:	9,402	50,953	804	45,448
Maintenance services	2,388	38,041	804	25,288
License fees	7,014	2,080	-	1,570
Prepaid implementation services	-	1,613	-	1,865
Obligations to supply hardware	-	9,219	-	16,725
Total contract liabilities	9,402	74,087	804	58,707

The table below explains changes in the balance of contract liabilities during the periods of 12 months ended 31 December 2020 and 31 December 2019:

	12 months ended 31 Dec. 2020 PLN'000	12 months ended 31 Dec. 2019 PLN'000
Liabilities from valuation of long-term IT contracts and deferred income from IT projects as at 1 January	59,511	37,402
Invoices issued above the level of performance obligations satisfied	126,358	88,197
Fulfilment of new uninvoiced performance obligations; changes in estimated transaction prices, modification of other assumptions	(103,665)	(69,794)
Obtaining control over subsidiaries	301	4,931
Differences on foreign currency translation of subsidiaries	984	(1,225)
Contract liabilities as at 31 December	83,489	59,511

6.18. Provisions

Selected accounting policies

A provision should be recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Where the effect of the time value of money is material, the amount of a provision shall be determined by discounting the expected future cash flows to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks related to the liability. Where the discounting method is used, an increase in a provision due to the passage of time is recognized as a financial cost.

Onerous contracts and provisions for losses

The Group recognizes provisions for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A contract with a customer is onerous when the total amount of revenues is lower than the total of the cost of goods and services sold and production costs.

Once an onerous contract is identified (which may happen at any time during the contract execution), the entire loss expected to be incurred on such contract should be immediately recognized as a cost in the current reporting period (by creating a provision for the expected loss).

The amount of provision for onerous contracts is verified at each reporting date (the amount of provision should be equal to the difference between the entire expected loss and the loss already incurred till the reporting date), which may result in an increase or decrease in the provision.

Provision for warranty repairs

The provision for warranty repairs is created to cover any anticipated future costs of warranty or service obligations resulting from the executed IT contracts, if the warranty obligations meet the definition of a standard warranty under IFRS 15.

If the warranty meets the definition of a service (is an extended warranty in accordance with IFRS 15), i.e. the warranty scope is broader than just an assurance to the customer that the product/service complies with agreed-upon specifications, then no provision is created. This is because the fulfilment of a non-standard guarantee is an obligation to perform a service, and as such should be recognized in revenues but not in the category of provisions.

The provision for (standard) warranty repairs is set aside in the cases where:

- (i) no contract for maintenance services has been signed with the customer, or
- (ii) the scope of the maintenance services contract does not fully cover all anticipated costs of the fulfilment of warranty obligations; or
- (iii) the scope of the manufacturer's warranty for any equipment resold is narrower than the scope of warranty the Group is contractually committed to provide to its customer.

The provision amount recognized at the reporting date shall be proportional to the progress of IT contract execution.

Any costs associated with the provision of our warranty services shall be, when incurred, deducted from the previously created provision. At the reporting date, the Group verifies the amount of carried provision for warranty repairs. If the actual costs of warranty services or anticipated future costs are lower/higher than assumed at the time of initial recognition of a provision, such provision shall be decreased/increased accordingly to reflect the Group's current expectations in respect of the fulfilment of its warranty obligations in future periods.

Post-employment benefits

In accordance with our corporate remuneration schemes, the Group's employees are entitled to receive a retirement benefit. The amount of retirement benefits depends on the regulations of the labour law in force in individual countries where the Group companies operate. The present value of such liabilities is measured by an independent actuary at each reporting date. Any actuarial gains or losses resulting from the remeasurement of obligations under defined benefit plans shall be recognized in other comprehensive income and cannot be later reclassified to profit or loss.

Provision for contractual penalties

Provisions for contractual penalties are created in connection with pending court proceedings based on available information, including opinions of independent experts.

Changes in the amounts of provisions during the period of 12 months ended 31 December 2020 are presented in the table below:

Provisions	Warranty repairs and product returns PLN'000	Provisions for contractual penalties PLN'000	Provisions for losses on contracts PLN'000	Costs related to ongoing court litigation PLN'000	Post-employment benefits PLN'000	Other provisions PLN'000	Total PLN'000
As at 1 January 2020	1,100	974	269	324	2,124	69	4,860
Provisions created during the reporting period	1,101	-	898	-	1,424	494	3,917
Provisions utilized/reversed	(912)	-	(774)	(7)	(981)	(480)	(3,154)
Differences on foreign currency translation of subsidiaries	72	62	16	(21)	(233)	4	(100)
As at 31 December 2020, of which:	1,361	1,036	409	296	2,334	87	5,523
Short-term	1,361	1,036	409	172	465	8	3,451
Long-term	-	-	-	124	1,869	79	2,072
As at 1 January 2020, of which:	1,100	974	269	324	2,124	69	4,860
Short-term	1,100	974	269	167	330	7	2,847
Long-term	-	-	-	157	1,794	62	2,013

In the comparable period, the amounts of provisions changed as follows:

Provisions	Warranty repairs and product returns PLN'000	Provisions for contractual penalties PLN'000	Provisions for losses on contracts PLN'000	Costs related to ongoing court litigation PLN'000	Post-employment benefits PLN'000	Other provisions PLN'000	Total PLN'000
As at 1 January 2019	682	977	609	371	2,012	44	4,695
Obtaining control over subsidiaries	2	-	-	79	152	-	233
Provisions created during the reporting period	1,368	-	543	213	490	25	2,639
Provisions utilized/reversed	(944)	-	(870)	(320)	(396)	-	(2,530)
Differences on foreign currency translation of subsidiaries	(8)	(3)	(13)	(19)	(134)	-	(177)
As at 31 December 2019, of which:	1,100	974	269	324	2,124	69	4,860
Short-term	1,100	974	269	167	330	7	2,847
Long-term	-	-	-	157	1,794	62	2,013
As at 1 January 2019, of which:	682	977	609	371	2,012	44	4,695
Short-term	556	977	609	169	397	5	2,713
Long-term	126	-	-	202	1,615	39	1,982

The provision for the costs of warranty repairs was created in connection with our obligations to provide contractually guaranteed repair services on software and hardware products supplied to our clients. The amount of reversed provisions represents our project-related provisions that were created in previous periods (based on historical data) and, subsequently, were not utilized for such projects.

The provision for contractual penalties was created with regard to a contract executed in Serbia, under which software licenses were delivered while further contract stages (including implementation of the solution) were not performed. Discussions are being held in order to complete the contract by mutual agreement. The company has created provisions for potential customer claims related to the contract completion.

The provision for post-employment benefits represents retirement benefits which are to be paid to the Group's employees when they go into retirement or leave the company, provided such entitlement was acquired in accordance with the country's applicable regulations.

6.19. Accruals

Selected accounting policies

Accrual for unused holiday leaves

The Group creates a "provision" (recognized as a component of accruals) for unused holiday leaves, which relate to periods preceding the reporting date and will be used in the future, for all of the Group's employees in countries where unused holiday leaves constitute accumulating paid absences (absences that are carried forward and can be used in future periods if the current period's entitlement is not used in full). The amount of such provision depends on the average monthly salary and the number of leave days eligible but not used by an employee as at the end of the reporting period. The Group recognizes the costs of unused holiday leaves on an accrual basis, based on estimated amounts, and discloses them in the statement of profit and loss under salaries (where they occur).

Accrual for employee bonuses

An obligation under bonus plans results from employee service and not from a transaction with the Group's owners. Therefore, the cost of such plans (even if they provide for profit-sharing payments) is always recognized as an expense and not as a distribution of profit.

The Group shall recognize the expected cost of profit-sharing and bonus payments when, and only when:

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

A present obligation exists when, and only when, the Group has no realistic alternative but to make the payments.

Estimates

The Group estimates the amount of its obligations based on the adopted assumptions and methodology, assessing the probability of an outflow of resources embodying economic benefits and, as at the reporting date, recognizes liabilities for which such outflow is highly probable. The accrual for employee bonuses, in a large number of cases, depends of the estimates of profits achieved at various levels by the Group or its subsidiary companies.

	31 Dec. 2020		31 Dec. 2019	
	Long-term PLN'000	Short-term PLN'000	Long-term PLN'000	Short-term PLN'000
Accruals, of which:				
Accrual for unused holiday leaves	-	4,719	-	3,938
Accrual for employee and management bonuses	-	20,032	-	18,379
	-	24,751	-	22,317

The total amount of accruals comprises: accruals for unused holiday leaves, as well as accruals for remunerations of the current period to be paid out in future periods which result from the bonus incentive schemes applied by the Group.

6.20. Related party transactions

	Sales to related parties PLN'000	Purchases from related parties PLN'000	Trade receivables and other receivables PLN'000	Trade payables and other liabilities PLN'000	Lease liabilities PLN'000
Transactions with Asseco Poland					
2020	60	242	53	17	-
2019	129	925	60	33	-
Transactions with entities of Asseco Poland Group					
2020	3,082	1,078	2,472	294	-
2019	386	226	116	139	-
Transactions with associates					
2020	-	-	-	-	-
2019	261	-	-	-	-
Transactions with entities or individuals related through the Group's Key Management Personnel					
2020	-	1,138	-	90	11,851
2019	1,860	1,929	1,245	73	14,062
Transactions with Members of Management Board and Supervisory Board of ASEE S.A. and companies of ASEE Group					
2020	-	19	2	-	109
2019	-	-	256	-	153

As at 31 December 2020, total receivables from related parties comprised trade receivables amounting to PLN 1,742 thousand, contract assets amounting to PLN 735 thousand, and other receivables amounting to PLN 50 thousand. As at 31 December 2019, total receivables from related parties comprised trade receivables amounting to PLN 1,374 thousand, and other receivables amounting to PLN 303 thousand.

As at 31 December 2020, total liabilities to related parties comprised trade payables amounting to PLN 387 thousand, and other liabilities amounting to PLN 14 thousand. As at 31 December 2019, total liabilities to related parties comprised trade payables amounting to PLN 155 thousand, and other liabilities amounting to PLN 90 thousand.

In addition, short-term liabilities arising from deferred payments for controlling interests include a liability for the acquisition of Necomplus S.L. from Asseco Western Europe S.A. in the amount of PLN 4,932 thousand as at 31 December 2020, as compared with PLN 9,868 thousand reported as at 31 December 2019. This liability was paid off on 28 January 2021.

Moreover, bank loans and borrowings disclosed as at 31 December 2020 include a borrowing that was obtained by Necomplus S.L. from Asseco Western Europe S.A. in the amount of PLN 1,956 thousand, as compared with PLN 6,407 thousand outstanding as at 31 December 2019.

Loans granted to related parties disclosed as at 31 December 2020 include a loan in the amount of PLN 315 thousand that granted to Member of the Management Board of a subsidiary company.

Purchases from and sales to related parties presented in the table above resulted from purchases and sales of hardware and services that were conducted by companies of ASEE Group with related companies of Asseco Poland Group as well as with parties related through the Key Management Personnel or directly with the Key Management Personnel. The Group also incurs costs arising from rentals of space from MHM d.o.o., Beograd, Miljan Mališ and Mini Invest d.o.o., Beograd that meet the definition of a lease under IFRS 16. Hence, the Group disclosed right-of-use assets which are subject to depreciation, as well as lease liabilities in the statement of financial position. Lease liabilities arising from rental contracts concluded with parties related through the Key Management Personnel and directly with the Key Management Personnel amounted to PLN 11,960 thousand as at 31 December 2020, as compared with PLN 14,215 thousand outstanding as at 31 December 2019.

Furthermore, Asseco International a.s., our parent company, received dividends from ASEE S.A. in the gross amount of PLN 19,606 thousand.

Transactions with related parties are carried out on an arm's length basis.

On 23 June 2017, Asseco Poland S.A. and managers of ASEE Group companies signed agreements for the acquisition of shares in ASEE S.A., which has been described in detail in explanatory note 5.2 in this report. Members of the Management Board of ASEE S.A., acting directly or through their related parties, acquired the following numbers of shares:

Management Board Members	Number of shares acquired
Piotr Jeleński	966,942
Miljan Mališ	300,000
Miodrag Mirčetić	275,482
Marcin Rulnicki	30,000
Kostadin Slavkoski	30,000
Total	

In the consolidated financial statements for the year ended 31 December 2020, the costs of share-based payment plan related to shares acquired by Members of the Management Board amounted to PLN 442 thousand (vs. PLN 1,447 thousand in the comparable period). Accounting for this option plan has been completed by 30 June 2020 and all the costs of share-based payment transactions have already been recognized in the financial results of ASEE Group.

Members of the Management Board and parties related through Members of the Management Board and Supervisory Board of Asseco South Eastern Europe S.A. received dividends from ASEE S.A. in the total gross amount of PLN 1,008 thousand, as compared with PLN 824 thousand distributed in 2019. The above-stated

amount does not include dividends payable to Asseco International a.s. The numbers of ASEE shares held by its Management Personnel as well as by their related parties have been presented in the item 'Shares and Shareholders' in the Management Report on Operations of the Group for the year ended 31 December 2020. The dividend was paid out on 8 July 2020.

Until the date of approval of these consolidated financial statements, ASEE S.A. has not received any information on any related party transactions conducted during the reporting period which would be carried out other than on an arm's length basis.

VII. Explanatory notes to the consolidated statement of cash flows

7.1. Cash flows – investing activities

In the period of 12 months ended 31 December 2020, the amount of cash flows from investing activities was affected primarily by:

- acquisitions of property, plant and equipment (PLN 32,647 thousand), intangible assets (PLN 2,112 thousand), and expenditures for development projects (PLN 804 thousand),
- expenditures for the acquisition of subsidiaries decreased by cash and cash equivalents in subsidiaries acquired, as disclosed in the table below:

	Acquisition of subsidiaries PLN'000	Cash in subsidiaries acquired PLN'000
Necomplus Group	(4,936)	-
Bassilichi B&H	-	232
Monri Group	(439)	-
IPS	(4,517)	784
Gastrobit	(5,830)	822
Mobven	(2,558)	-
Sonet Group	(2,248)	-
Total	(20,528)	1,838

7.2. Cash flows – financing activities

The table below explains changes in financial liabilities attributable to financing activities, including both changes arising from cash flow and non-cash changes:

Change in financial liabilities	Bank loans and borrowings PLN'000	Lease liabilities PLN'000	Dividend payment liabilities PLN'000	Total PLN'000
As at 1 January 2020	84,041	66,412	-	150,453
Changes arising from cash flow	(34,321)	(25,845)	(39,112)	(99,278)
Inflows	9,939	-	-	9,939
Repayment of principal amount	(42,822)	(23,656)	(39,112)	(105,590)
Interest paid	(1,438)	(2,189)	-	(3,627)
Non-cash changes	6,222	14,753	39,109	60,084
Interest accrued	1,474	2,189	-	3,663
Non-cash increase in liabilities	-	17,658	38,864	56,522
Non-cash decrease in liabilities	-	(6,651)	-	(6,651)
Obtaining control over subsidiaries	2,168	1,698	245	4,111
Foreign currency translation differences recognized in financial income/expenses	2,580	(141)	-	2,439
Differences on foreign currency translation of subsidiaries	3,250	3,522	3	6,775
As at 31 December 2020	59,192	58,842	-	118,034

Non-cash increase in lease liabilities resulted from the conclusion of new lease contracts as well as modification of existing contracts. Non-cash decrease in lease liabilities resulted from the modification or early termination of lease contracts.

Dividends paid out to non-controlling shareholders represent payments to the minority shareholders of eMon, ChipCard and IPS companies.

VIII. Explanatory notes on objectives and principles of financial risk management

Assec Group is exposed to a number of risks arising either from the macroeconomic situation of the countries where the Group companies operate as well as from microeconomic situation in individual companies. The main market factors that may have an adverse impact on the Group's financial performance are: (i) fluctuations in foreign currency exchange rates versus the functional currencies of the Group companies, and (ii) changes in market interest rates. Business operations conducted by the Group are also exposed to credit risk and financial liquidity risk.

8.1. Foreign currency risk

Selected accounting policies

The currency of measurement applied by the Parent Company as well as the reporting currency used in these consolidated financial statements is the Polish zloty (PLN). The functional currencies of the Group's foreign subsidiaries include: EUR (euro), RON (Romanian new leu), HRK (Croatian kuna), RSD (Serbian dinar), MKD (Macedonian denar), TRY (Turkish lira), BGN (Bulgarian lev), BAM (Bosnia and Herzegovina convertible mark), and CZK (Czech koruna).

Transactions denominated in foreign currencies (i.e. other than the functional currency) are, at the time of initial recognition, translated into the functional currency at the exchange rate effective on the transaction date. Assets and liabilities denominated in foreign currencies are converted into the functional currency at the exchange rate effective at the end of the reporting period. Foreign currency non-cash items carried at historical cost are converted at the exchange rate effective on the original transaction date. Foreign currency non-cash items carried at fair value are converted using the exchange rate as of the date when such fair value is determined.

As at the reporting date, assets and liabilities denominated in currencies other than the Polish zloty (if it is the entity's functional currency) are translated into Polish zlotys at the mid exchange rates of such currencies as published by the National Bank of Poland and in effect on the last day of the reporting period. The resulting foreign currency translation differences are accounted for respectively as financial income (expenses) or they may be capitalized as assets if so provided in the adopted accounting policies.

Individual items disclosed in the financial statements of our foreign operations are translated into the Group's functional currency in the following way:

- assets and liabilities are translated at the mid exchange rate effective at the end of the reporting period as published by the National Bank of Poland;
- revenues and costs are translated at the arithmetic average of mid exchange rates effective on the last day of each month as published by the National Bank of Poland;
- any foreign currency translation differences resulting from such translation are recognized in other comprehensive income.

The Group's presentation currency is the Polish zloty; however, many of the Group's subsidiaries use different functional currencies in which their operating activities are conducted. The Group identifies the foreign currency risk associated with transactions concluded by the Group companies in currencies other than their functional currencies. As a result, the Group is exposed to potential losses arising from changes in the exchange rate of a transaction currency against the functional currency of a given subsidiary over the period from concluding a transaction denominated in a foreign currency till the date of issuing an invoice, receiving the payment, and the settlement of a financial instrument transaction.

As part of monitoring the Group's foreign currency risk, all transactions denominated in currencies other than the functional currency of a given subsidiary are subject to special registration. Moreover, our procedures applicable to the execution of IT projects require making systematic updates of the project implementation schedules as well as generated cash flows with regard to changes resulting from fluctuations in foreign exchange rates.

The tables below present the currency structure and the Group's exposure to fluctuations in the exchange rates of the Polish zloty against currencies in which most of our foreign transactions are concluded. These tables present the currency structure of various classes of financial instruments held as at 31 December 2020 and 31 December 2019.

Groups/categories of financial instruments	Carrying value as at 31 Dec. 2020	Foreign currency exposure as at 31.12.2020	EUR	USD	Other currencies
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Financial assets					
Cash and cash equivalents	249,028	235,731	98,468	19,899	117,364
Loans granted and bank deposits	5,111	5,111	9	-	5,102
Other financial assets	102	102	2	-	100
Trade receivables and contract assets	237,297	236,523	52,123	19,106	165,294

Financial liabilities					
Financial liabilities carried at fair value through profit or loss	25,201	20,269	9,711	10,558	-
Bank loans and borrowings	59,284	59,284	58,989	-	295
Trade payables and liabilities arising from valuation of IT contracts	134,964	133,880	46,839	13,138	73,903

Groups / categories of financial instruments	Carrying value as at 31 Dec. 2019	Foreign currency exposure as at 31.12.2019	EUR	USD	Other currencies
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Financial assets					
Cash and cash equivalents	199,663	191,804	82,888	8,972	99,944
Loans granted and bank deposits	5,031	5,031	8	-	5,023
Other financial assets	211	211	113	-	98
Trade receivables and contract assets	192,580	192,036	42,570	5,974	143,492
Financial liabilities					
Financial liabilities carried at fair value through profit or loss	25,617	15,749	852	12,340	2,557
Bank loans and borrowings	92,997	92,997	83,960	-	9,037
Trade payables and liabilities arising from valuation of IT contracts	123,236	122,029	47,037	9,790	65,202

The tables below present the analysis of sensitivity of our financial results to fluctuations in foreign exchange rates as at 31 December 2020 and in the comparable period:

Groups / categories of financial instruments	Analysis of sensitivity to foreign currency risk as at 31 Dec. 2020			
	EUR		USD	
	+10%	-10%	+10%	-10%
	Impact on financial results PLN'000	Impact on financial results PLN'000	Impact on financial results PLN'000	Impact on financial results PLN'000
Financial assets				
Cash and cash equivalents	9,847	(9,847)	1,990	(1,990)
Loans granted and bank deposits	1	(1)	-	-
Other financial assets	-	-	-	-
Trade receivables and contract assets	5,212	(5,212)	1,911	(1,911)
Financial liabilities				
Financial liabilities carried at fair value through profit or loss	(971)	971	(1,056)	1,056
Bank loans and borrowings	(5,899)	5,899	-	-
Trade payables and liabilities arising from valuation of IT contracts	(4,684)	4,684	(1,314)	1,314

Groups / categories of financial instruments	Analysis of sensitivity to foreign currency risk as at 31 Dec. 2019			
	EUR		USD	
	+10%	-10%	+10%	-10%
	Impact on financial results PLN'000	Impact on financial results PLN'000	Impact on financial results PLN'000	Impact on financial results PLN'000
Financial assets				
Cash and cash equivalents	8,289	(8,289)	897	(897)
Loans granted and bank deposits	1	(1)	-	-
Other financial assets	11	(11)	-	-
Trade receivables and contract assets	4,257	(4,257)	597	(597)
Financial liabilities				
Financial liabilities carried at fair value through profit or loss	(85)	85	(1,234)	1,234
Bank loans and borrowings	(8,396)	8,396	-	-
Trade payables and liabilities arising from valuation of IT contracts	(4,704)	4,704	(979)	979

8.2. Interest rate risk

The Group identifies and measures the interest rate risk on a regular basis, and takes actions aiming to minimize its impact on our financial position. Any instruments bearing a variable interest rate expose the Group to the risk of cash flow fluctuations as a result of interest rate changes, which may affect the amount of interest income or expenses recognized in financial results. Changes in the market interest rates may have a negative influence on the financial results of the Group. The Group's exposure to changes in this market factor is attributable to changes in the amount of interest charged on variable-interest loans that are granted to the Group companies by external financial institutions.

The interest rate risk is identified by the Group at the time of concluding a transaction or a financial instrument exposed to such risk. All transactions vulnerable to the risk of market interest rate changes are subject to special registration and control by a competent department at each company of our Group.

Exposure to interest rate risk is measured as the total amount arising from all financial instruments exposed to the risk of changing interest rates.

In order to reduce their interest rate risk, the Group companies may: (i) try to avoid obtaining bank loans that are based on a variable interest rate or, if not possible, (ii) conclude forward rate agreements if the costs of such precaution are justified in relation to the expected benefits.

Detailed information on bank loans and borrowings, including their interest rates, currencies, and maturities are presented in explanatory note 6.14 to these consolidated financial statements.

The analysis of the Group's financial instruments exposed to interest rate risk showed that basically only bank loans and borrowings are exposed to changes in interest rates, because they bear interest based on EURIBOR. The amounts exposed to risk as well as the analysis of sensitivity are presented in the table below:

	Carrying value	Amount exposed to risk of changes in EURIBOR	Deviation assumed (in percentage points)		Impact on financial results	
	PLN'000	PLN'000			PLN'000	PLN'000
Bank loans and borrowings as at 31 December 2020, of which:						
Bank overdraft facilities	92	-	+ 1.0 pp	- 1.0 pp	-	-
Bank loans	57,236	34,056	+ 1.0 pp	- 1.0 pp	(341)	341
Borrowings from related parties and from other entities	1,956	1,956	+ 1.0 pp	- 1.0 pp	(20)	20
Bank loans and borrowings as at 31 December 2019, of which:						
Bank overdraft facilities	8,956	-	+ 1.0 pp	- 1.0 pp	-	-
Bank loans	77,634	55,354	+ 1.0 pp	- 1.0 pp	(554)	554
Borrowings from related parties and from other entities	6,407	6,407	+ 1.0 pp	- 1.0 pp	(64)	64

The analysis of sensitivity has been carried out for financial instruments held by ASEE Group as at 31 December 2020 and 31 December 2019. The impact of changes in interest rates has been presented on an annual basis. The sensitivity of financial instruments to interest rate risk has been determined by multiplying the total amount of instruments exposed to risk by adequate deviation in interest rates as assumed in the calculation.

8.3. Credit risk

The Group identifies the credit risk arising in situations where the counterparty to a transaction fails to perform its obligations towards the Group's company, thus exposing the Group to a potential financial loss. The Group's credit risk management policy is presented in explanatory note 6.8 on long- and short-term receivables.

The total exposure of the Group to credit risk results from the fact of having receivables (note 6.8) and other financial assets (note 6.6).

8.4. Financial liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool takes into account the maturity of financial investments and financial assets, as well as projected cash flows from operations.

The Group's objective is to maintain a balance between continuity and flexibility of financing by using various sources of funds.

The tables below disclose the ageing structure of the Group's financial liabilities as at 31 December 2020 and 31 December 2019, by maturity:

Maturity of financial liabilities as at 31 December 2020	Liabilities falling due within 3 months	Liabilities falling due within 3 to 12 months	Liabilities falling due within 1 to 5 years	Liabilities falling due after 5 years	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Trade payables and liabilities arising from valuation of IT contracts	133,317	1,647			134,964
Bank loans and borrowings	9,555	20,590	29,139	-	59,284
Lease liabilities *	5,150	15,627	38,004	3,546	62,327
Ageing of liabilities for unpaid shares	4,932	-	-	-	4,932
Ageing of conditional payments recognized due to business acquisitions	1,426	14,756	4,006	-	20,188
Ageing of liabilities under put options granted to non-controlling shareholders	-	-	21,874	-	21,874
Ageing of liabilities under forward/future contracts	74	-	5	-	79
Total	154,454	52,620	93,028	3,546	303,648

* The amount analyzed for aging includes contractual undiscounted cash flows only, as opposed to the value presented in the statement of financial position

Maturity of financial liabilities as at 31 December 2019	Liabilities falling due within 3 months	Liabilities falling due within 3 to 12 months	Liabilities falling due within 1 to 5 years	Liabilities falling due after 5 years	Total
	PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Trade payables and liabilities arising from valuation of IT contracts	115,167	8,069	-	-	123,236
Bank loans and borrowings	7,442	42,300	43,255	-	92,997
Lease liabilities *	5,394	15,585	46,111	4,052	71,142
Ageing of liabilities for unpaid shares	5,362	2,129	4,932	-	12,423
Ageing of conditional payments recognized due to business acquisitions	-	6,385	6,760	-	13,145
Ageing of liabilities under put options granted to non-controlling shareholders	-	-	16,819	-	16,819
Ageing of liabilities under forward/future contracts	-	-	46	-	46
Total	133,365	74,468	117,923	4,052	329,808

* The amount analyzed for aging includes contractual undiscounted cash flows only, as opposed to the value presented in the statement of financial position

8.5. Items of income, expenses, gains and losses recognized in the statement of profit and loss in correspondence to balance sheet items

As at 31 December 2020, the following items of income, expenses, gains and losses were recognized in the Group's statement of profit and loss, in a breakdown to corresponding items in the statement of financial position:

Items of income, expenses, gains and losses recognized in the statement of profit and loss	Category according to IFRS 9	Interest income (expenses)	Gain (loss) on foreign currency translation differences	Reversal (recognition) of impairment losses	Gain (loss) on valuation and exercise	Total
For 12 months ended 31 December 2020		PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Financial assets		1,236	4,596	85	8	5,925
Currency forward contracts	FVtPL	-	-	-	8	8
Loans granted	MaAC	1	-	-	-	1
Cash deposits	MaAC	-	-	-	-	-
Trade receivables	MaAC	18	1,984	85	-	2,087
Cash and cash equivalents	FVtPL	1,217	2,612	-	-	3,829
Financial liabilities		(3,868)	(2,714)	-	(3,121)	(9,703)
Forward/future contracts	FVtPL	-	275	-	(506)	(231)
Liabilities under deferred and/or conditional payments for controlling interests	FVtPL	-	(51)	-	(2,615)	(2,666)
Bank loans and borrowings	MaAC	(1,474)	(916)	-	-	(2,390)
Lease liabilities	MaAC	(2,189)	(171)	-	-	(2,360)
Trade payables	MaAC	(205)	(1,851)	-	-	(2,056)
Total		(2,632)	1,882	85	(3,113)	(3,778)

As at 31 December 2019, the following items of income, expenses, gains and losses were recognized in the Group's statement of profit and loss, in a breakdown to corresponding items in the statement of financial position:

Items of income, expenses, gains and losses recognized in the statement of profit and loss	Category according to IFRS 9	Interest income (expenses)	Gain (loss) on foreign currency translation differences	Reversal (recognition) of impairment losses	Gain (loss) on valuation and exercise	Total
For 12 months ended 31 December 2019		PLN'000	PLN'000	PLN'000	PLN'000	PLN'000
Financial assets		2,247	1,553	(3,122)	177	855
Currency forward contracts	FVtPL	-	-	-	177	177
Loans granted	MaAC	17	-	(90)	-	(73)
Cash deposits	MaAC	41	-	-	-	41
Trade receivables	MaAC	-	322	(3,032)	-	(2,710)
Cash and cash equivalents	FVtPL	2,189	1,231	-	-	3,420
Financial liabilities		(3,256)	(872)	-	(848)	(4,976)
Forward/future contracts	FVtPL	-	(79)	-	(125)	(204)
Liabilities under deferred and/or conditional payments for controlling interests	FVtPL	-	(113)	-	(723)	(836)
Bank loans and borrowings	MaAC	(1,239)	80	-	-	(1,159)
Lease liabilities	MaAC	(1,981)	(235)	-	-	(2,216)
Trade payables	MaAC	(36)	(525)	-	-	(561)
Total		(1,009)	681	(3,122)	(671)	(4,121)

IX. Other explanatory notes

9.1. Off-balance-sheet liabilities

Selected accounting policies

Off-balance-sheet liabilities are primarily contingent liabilities, by which the Group understands: a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not fully controlled by the Group, or a present obligation that arises from past events but is not recognized because: (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the statement of financial position; however, information about a contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Operating leases – the Group applies a practical expedient for rental contracts and other contracts of similar nature that are concluded for a period shorter than 12 months from the lease commencement date, as well as for leases of low-value assets. In both the above-mentioned exceptions, the lease payments are basically expensed on a straight-line basis in the period to which they are related. In such case, the Group does not recognize any right-of-use assets or corresponding financial liabilities. Such operating lease liabilities are recognized as off-balance-sheet liabilities.

Within its commercial activities ASEE Group uses bank guarantees as well as contract performance guarantees as forms of securing its business transactions with miscellaneous organizations, companies and administration bodies.

As at 31 December 2020, the related contingent liabilities equalled PLN 54,491 thousand, while as at 31 December 2019 they amounted to PLN 50,220 thousand.

Assets serving as collateral for bank guarantee facilities:

Category of assets	Net value of assets		Amount of granted guarantee secured with assets	
	31 Dec. 2020 PLN'000	31 Dec. 2019 PLN'000	31 Dec. 2020 PLN'000	31 Dec. 2019 PLN'000
Financial assets	4,776	4,502	12,218	11,478
Trade receivables	3,205	1,364	2,371	1,681
Other receivables	287	274	287	-
Total	8,268	6,140	14,876	13,159

None of the above-described guarantee obligations meet the definition of a financial guarantee under IFRS 9, and therefore they are not recognized as liabilities in the statement of financial position of the Group as at 31 December 2020.

The Group is party to a number of contracts for rental of:

- office and warehouse space,
- locations for ATMs,
- transportation vehicles,
- office equipment,
- other assets.

As at 31 December 2020 and 31 December 2019, the above-mentioned contracts resulted in the following off-balance-sheet liabilities to make future payments:

	31 Dec. 2020 PLN'000	31 Dec. 2019 PLN'000
Liabilities from rental of space		
In the period up to 1 year	2,862	1,692
In the period from 1 to 5 years	5,361	139
Over 5 years	-	-
	8,223	1,831
Liabilities under operating leases of equipment		
In the period up to 1 year	1,040	126
In the period from 1 to 5 years	-	-
Over 5 years	-	-
	1,040	126

The said contracts meet the definition of a lease under IFRS 16. Off-balance-sheet liabilities disclosed as at 31 December 2020 are related to lease contracts that were subject to exemptions provided under IFRS 16 (short-term leases and leases of low-value assets).

Disputes in litigation as at the end of the reporting period

During the reporting period, no significant proceedings were pending before any court, arbitration authority or public administration authority, concerning any liabilities or receivables of ASEE Group companies.

9.2. Seasonal and cyclical business

The Group's sales revenues are subject to some seasonality in individual quarters of the year. The fourth quarter revenues tend to be higher than in the remaining periods, as bulk of such turnover is generated from the sale of IT services for large enterprises and public administration. Such entities often decide to make higher purchases of hardware and licenses in the last months of a year.

9.3. Employment

Number of employees in the Group companies as at	31 Dec. 2020	31 Dec. 2019
Management Board of the Parent Company	4	4
Management Boards of the Group companies	46	43
Production departments	2,470	2,206
Sales departments	201	175
Administration departments	257	247
Total	2,978	2,675

Number of employees in the Group companies as at:	31 Dec. 2020	31 Dec. 2019
ASEE S.A.	29	29
ASEE Romania Group	136	138
ASEE Serbia Group	488	437
ASEE Croatia	218	176
ASEE Kosovo Group	76	71
Payten Turkey Group	217	178
ASEE Bulgaria	17	19
ASEE B&H	82	69
ASEE Macedonia	228	190
Payten Slovenia	31	32
Payten Montenegro Group	18	17
Payten Croatia Group	180	107
Payten B&H	70	55
Payten Macedonia	31	31
Payten Serbia Group	178	170
Payten Romania	47	49
ASEE Turkey	90	92
Necomplus Group	751	729
Sonet Group	91	86
Total	2,978	2,675

9.4. Remuneration of the entity authorized to audit financial statements

The table below discloses the amounts of remuneration paid or payable to the entity authorized to audit the Company's and the Group's financial statements for the years ended 31 December 2020 and 31 December 2019, in a breakdown by type of service:

Remuneration of the entity authorized to audit financial statements	12 months ended 31 Dec. 2020	12 months ended 31 Dec. 2019
---	------------------------------	------------------------------

Audit of the annual financial statements	170	182
Review of the semi-annual financial statements	114	83
Other certification services	10	-
Total	294	265

In the year ended 31 December 2020 as well as in the year 2019, to the entity authorized to audit financial statements was Deloitte Audyt Sp. z o.o. (limited partnership). It has been selected by a resolution of the Supervisory Board of ASEE S.A. of 27 March 2018 and its subsequent resolution of 24 February 2020. Moreover, other firms of the Deloitte network carry out the audits of annual and reviews of interim financial statements, as well as other certification services, in favour of ASEE Group companies in countries other than Poland. In 2020, the total remuneration for such services amounted to PLN 568 thousand.

9.5. Remuneration of the Management Board and Supervisory Board

The table below presents the amounts of remuneration paid to individual Members of the Company's Management Board and Supervisory Board for performing their duties during the years 2020 and 2019.

Fixed remuneration for the period of	12 months ended 31 Dec. 2020	12 months ended 31 Dec. 2019
Management Board		
Piotr Jeleński	365	365
Miljan Mališ	184	169
Miodrag Mirčetić (till 30 September 2019) ¹⁾	-	110
Marcin Rułnicki	281	281
Kostadin Slavkoski (since 1 October 2019) ²⁾	201	49
	1,031	974
Supervisory Board		
Jozef Klein	36	36
Adam Góral	30	30
Jacek Duch	60	60
Artur Kucharski	90	90
Adam Pawłowicz	60	60
	276	276

¹⁾ Mr. Miodrag Mirčetić filed a resignation from the position of Member of the Company's Management Board with effect from 1 October 2019.

²⁾ Mr. Kostadin Slavkoski was appointed as Member of the Company's Management Board with effect from 1 October 2019.

Variable remuneration for the period of	12 months ended 31 Dec. 2020	12 months ended 31 Dec. 2019
Management Board		
Piotr Jeleński	4,187	3,138
Miljan Mališ	1,128	516
Miodrag Mirčetić (till 30 September 2020)	-	515
Marcin Rułnicki	1,129	882
Kostadin Slavkoski (since 1 October 2020)	840	81
	7,284	5,132

The amounts of remuneration disclosed in the tables above are due for performing managerial and supervisory functions in ASEE S.A. as well as in its subsidiary companies. The data presented in the tables above reflect the amounts of remuneration already paid out, as well as accruals for the part of variable remuneration which has not been paid out by the end of the reporting period.

Total remunerations paid or payable to members of the Management Boards and Supervisory Boards of ASEE Group subsidiaries in the year ended 31 December 2020 amounted to PLN 22,726 thousand (excluding the amounts stated in the tables above).

Total remunerations paid or payable to members of the Management Boards and Supervisory Boards of ASEE Group subsidiaries in the year ended 31 December 2019 amounted to PLN 18,578 thousand (excluding the amounts stated in the tables above).

9.6. Capital management

The primary objective of the Group's capital management is to maintain a favourable credit rating and a safe level of capital ratios in order to support the Group's business operations and maximize shareholder value.

The Group manages its capital structure and makes necessary adjustments in response to the changing economic conditions. In order to maintain or adjust its capital structure, the Group may decide to change its dividend policy, return some capital to shareholders, or issue new shares. During the last two years ended 31 December 2020 and 31 December 2019, we did not introduce any changes to our objectives, policies and processes adopted in this area.

The Group consistently monitors the level of its capital using the leverage ratio, which is calculated as a relation of net debt to total equity increased by net debt. Net debt includes interest-bearing bank loans and borrowings, trade payables and other liabilities, decreased by cash and cash equivalents. The capital represents equity attributable to shareholders of the Parent Company.

Capital management	31 Dec. 2020	31 Dec. 2019
Bank loans and borrowings	59,284	92,997
Lease liabilities	58,842	66,412
Trade payables, contract liabilities, state budget liabilities and other liabilities	316,713	261,634
Minus cash and cash equivalents	(249,028)	(199,663)
Net debt	185,811	221,380
Equity	913,072	800,712
Equity and net debt	1,098,883	1,022,092
Leverage ratio	16.91%	21.66%

9.7. Significant events after the reporting period

▪ Acquisition of shares in Thing Solver d o.o.

On 7 October 2020, ASEE Serbia concluded a conditional agreement to acquire 100% of shares in the company Thing Solver d o.o. based in Belgrade. The Group obtained control over Thing Solver d o.o. on 8 January 2021 upon satisfying all the conditions precedent.

▪ Acquisition of shares in VEBSPO DOO

On 17 February 2020, Payten Macedonia (Skopje) acquired 100% of shares in the company VEBSPO DOO based in Skopje.

In the period from 31 December 2020 till the date of approval of these consolidated financial statements, this is until 24 February 2021, we have not observed any other major events, the disclosure of which might significantly affect the assessment of human resources, assets and financial position of ASEE Group.

9.8. Significant events related to prior years

Until the date of preparing these consolidated financial statements for the period of 12 months ended 31 December 2020, we have not observed any significant events related to prior years, which have not but should have been included in these financial statements.

Solutions for demanding business.

[Asseco South Eastern Europe S.A.](#)

14 Olchowa St., 35-322 Rzeszów, Poland

Phone: +48 22 574 86 30

Fax: +48 22 574 86 90

Email: office@asseco-see.com

see.asseco.com