The IPOPEMA Securities Group

Interim condensed consolidated financial statements

for the three months ended March 31st 2021

Warsaw, May 13th 2021

ipopema

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Financial highlights

Financial highlights	PLN '000 3 months ended Mar 31 2021	PLN '000 3 months ended Mar 31 2020	EUR '000 3 months ended Mar 31 2021	EUR '000 3 months ended Mar 31 2020
Revenue from core activities	64,752	49,045	14,162	11,156
Cost of core activities	59,204	46,891	12,949	10,666
Profit/(loss) on core activities	5,548	2,154	1,213	490
Operating profit/(loss)	4,585	- 1,128	1,003	- 257
Profit/(loss) before tax	3,892	40	851	9
Net profit/(loss) from continuing operations	3,041	- 164	665	- 37
Net profit/(loss)	3,041	- 164	665	- 37
Earnings/(loss) per ordinary share (weighted average) (PLN/EUR)				
- basic	0.10	0.00	0.02	0.00
- diluted	0.10	0.00	0.02	0.00
Net cash from operating activities	58,258	15,546	12,742	3,538
Total cash flows	50,576	5,931	11,062	1,351

Consolidated financial highlights	PLN '000 Mar 31 2021	PLN '000 Dec 31 2020	EUR '000 Mar 31 2021	EUR '000 Dec 31 2020
Total assets	630,223	589,073	135,232	127,649
Total liabilities	513,218	475,113	110,126	102,954
Equity	117,005	113,960	25,107	24,694
Number of shares	29,937,836	29,937,836	29,937,836	29,937,836
Book value per share (PLN/EUR)	3.91	3.81	0.84	0.82

The individual items of the financial highlights were translated into the euro at the following exchange rates:

- Items of the interim condensed consolidated statement of comprehensive income and interim condensed consolidated statement of cash flows:

Average exchange rate calculated as the arithmetic mean of the exchange rates quoted on the last day of each month in the period	Jan–Mar 2021	Jan– Mar 2020
EUR	4.5721	4.3963

- Items of the interim condensed consolidated statement of financial position:

Exchange rate as at	Mar 31 2021	Dec 31 2020	Mar 31 2020
EUR	4.6603	4.6148	4.5523

Interim condensed consolidated statement of comprehensive income

for the three months ended March 31st 2021

	Note	Jan 1–Mar 31 2021	Jan 1–Mar 31 2020
CONTINUING OPERATIONS			
Revenue from core activities	15	**64,752**	**49,045**
Cost of core activities	15	**59,204**	**46,891**
Profit/(loss) on core activities		**5,548**	**2,154**
Gain/(loss) on financial assets measured at fair value through profit or loss		- 754	- 3,030
Other income		953	227
Other expenses		1,162	479
Operating profit/(loss)		**4,585**	**- 1,128**
Finance income		170	1,544
Finance costs		863	376
Profit/(loss) before tax		**3,892**	**40**
Income tax	16	851	204
Net profit/(loss) on continuing operations		**3,041**	**- 164**
DISCONTINUED OPERATIONS		-	-
Net profit/(loss) for period		**3,041**	**- 164**
Attributable to:			
Owners of the parent		3,090	- 145
Non-controlling interests		- 49	- 19
Net profit/(loss) for period		**3,041**	**- 164**
Other comprehensive income		**62**	**- 83**
Other comprehensive income before tax		**77**	**- 103**
Other comprehensive income that will not be reclassified to profit or loss		**77**	**- 103**
Gains and losses on remeasurement of equity instruments		77	- 103
Income tax on items of other comprehensive income		**- 15**	**20**
Income tax relating to components of other comprehensive income that will not be reclassified to profit or loss		- 15	20
Comprehensive income for period		**3,103**	**- 247**
Attributable to:			
Owners of the parent		3,152	- 228
Non-controlling interests		- 49	- 19

Earnings per share

	Note	Jan 1–Mar 31 2021	Jan 1–Mar 31 2020
Earnings/(loss) per share on continuing operations (PLN)	10	0.10	0.00
Earnings/(loss) per share on discontinued operations (PLN)		-	-
Earnings/(loss) per share (PLN)		0.10	0.00
Diluted earnings/(loss) per share on continuing operations (PLN)		0.10	0.00
Diluted earnings/(loss) per share on discontinued operations (PLN)		-	-
Diluted earnings/(loss) per share (PLN)		0.10	0.00

Interim condensed consolidated statement of financial position

as at March 31st 2021

ASSETS	Note	Mar 31 2021	Dec 31 2020	Mar 31 2020
Cash and cash equivalents	12	363,642	313,202	79,131
Trade and other receivables (including accrued income)	12	244,085	254,622	140,900
Current tax assets		1,103	75	464
Financial assets measured at fair value through profit or loss		1,088	120	314
Equity instruments measured through other comprehensive income		3,346	3,259	4,966
Right-of-use assets		8,601	9,728	9,448
Property, plant and equipment		2,230	2,402	2,119
Intangible assets		1,695	1,577	1,203
Deferred tax assets		4,433	4,088	3,286
TOTAL ASSETS		**630,223**	**589,073**	**241,831**

EQUITY AND LIABILITIES	Note	Mar 31 2021	Dec 31 2020	Mar 31 2020
Trade and other payables	14	484,884	431,069	133,887
Current tax liabilities		-	6,205	-
Financial liabilities measured at fair value through profit or loss		309	101	-
Lease liabilities	23	11,957	13,561	13,669
Deferred tax liabilities	16	617	643	451
Accrued expenses and deferred income	14	15,451	23,534	10,415
Total liabilities		**513,218**	**475,113**	**158,422**
Share capital	13	2,994	2,994	2,994
Share premium		10,351	10,351	10,351
Other components of equity		4,010	3,948	3,569
Retained earnings		94,789	91,699	61,994
Equity attributable to owners of the parent		**112,144**	**108,992**	**78,908**
Non-controlling interests		**4,861**	**4,968**	**4,501**
Total equity		**117,005**	**113,960**	**83,409**
TOTAL EQUITY AND LIABILITIES		**630,223**	**589,073**	**241,831**

Interim condensed consolidated statement of cash flows

for the three months ended March 31st 2021

CASH FLOWS	Note	Jan 1–Mar 31 2021	Jan 1–Mar 31 2020
Cash flows from operating activities			
Net profit		**3,041**	**- 164**
Total adjustments:	25	**63,677**	**15,710**
Adjustments related to income tax expense		851	204
Depreciation and amortisation		1,525	1,224
Foreign exchange gains/(losses)		136	- 487
Interest and dividends		244	280
Gain/(loss) on investing activities		-	36
Change in financial assets measured at fair value through profit or loss		- 967	- 6
Increase/(decrease) in receivables (excluding loans)		10,515	46,551
Increase/(decrease) in trade and other payables (excluding borrowings)		59,185	- 34,171
Increase/(decrease) in provisions and impairment losses on receivables (excluding loans)		329	569
Increase/(decrease) in accruals and deferrals		- 8,457	1,249
Other adjustments		316	261
Cash flows from (used in) operating activities		**66,718**	**15,546**
Income tax paid		- 8,460	-
Net cash from operating activities		**58,258**	**15,546**
Cash flows from investing activities			
Increase in loans		- 80	- 100
Decrease in loans		90	39
Interest received		3	-
Acquisition of property, plant and equipment		- 91	- 616
Acquisition of intangible assets		-253	- 173
Acquisition of equity instruments measured through other comprehensive income		- 11	- 10,106
Sale of equity instruments measured through other comprehensive income		-	9
Net cash from investing activities		**- 342**	**- 10,947**
Cash flows from financing activities			
Repayment of debt securities		- 1	- 1
Proceeds from issue of debt securities		2	-
Interest paid		- 194	- 220
Payment of lease liabilities		- 1,700	- 980
Proceeds from borrowings		-	2,621
Payment of borrowings		- 5,388	-
Dividends to non-controlling interests		- 59	- 88
Net cash from financing activities		**- 7,340**	**1,332**
Total cash flows		**50,576**	**5,931**
Increase/(decrease) in cash and cash equivalents		50,440	6,418
Effect of exchange rate fluctuations on cash held		- 136	487
Cash at beginning of period	25	313,202	62,713
Cash at end of period, including	25	**363,642**	**69,131**
*- restricted cash**		284,821	37,735

** Restricted cash includes primarily clients' funds held by the Company, as well as cash in escrow.*

Interim condensed consolidated statement of changes in equity

for the three months ended March 31st 2021

	Share capital	Share premium	Revaluation capital reserve	Other components of equity	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As at Jan 1 2021	**2,994**	**10,351**	**734**	**3,214**	**91,699**	**108,992**	**4,968**	**113,960**
Net profit/loss for period	-	-	-	-	3,090	3,090	- 49	3,041
Other comprehensive income	-	-	62	-	-	62	-	62
Total comprehensive income	**-**	**-**	**62**	**-**	**3,090**	**3,152**	**- 49**	**3,103**
Dividend paid	-	-	-	-	-	-	- 58	- 58
Change in equity during period	**-**	**-**	**62**	**-**	**3,090**	**3,152**	**- 107**	**3,045**
As at Mar 31 2021	**2,994**	**10,351**	**796**	**3,214**	**94,789**	**112,144**	**4,861**	**117,005**
As at Jan 1 2020	**2,994**	**10,351**	**438**	**3,214**	**62,139**	**79,136**	**4,608**	**83,744**
Net profit/loss for period	-	-	-	-	29,677	29,677	524	30,201
Other comprehensive income	-	-	226	-	-	226	-	226
Total comprehensive income	**-**	**-**	**226**	**-**	**29,677**	**29,903**	**524**	**30,427**
Dividend paid	-	-	-	-	-	-	- 88	- 88
Other increases/(decreases)	-	-	70	-	- 117	- 47	- 76	- 123
Change in equity during period	**-**	**-**	**296**	**-**	**29,560**	**29,856**	**360**	**30,216**
As at Dec 31 2020	**2,994**	**10,351**	**734**	**3,214**	**91,699**	**108,992**	**4,968**	**113,960**
As at Jan 1 2020	**2,994**	**10,351**	**438**	**3,214**	**62,139**	**79,136**	**4,608**	**83,744**
Net profit/loss for period	-	-	-	-	- 145	- 145	- 19	- 164
Other comprehensive income	-	-	- 83	-	-	- 83	-	- 83
Total comprehensive income	**-**	**-**	**-83**	**-**	**-145**	**- 228**	**-19**	**-247**
Dividend paid	-	-	-	-	-	-	- 88	- 88
Change in equity during period	**-**	**-**	**- 83**	**-**	**- 145**	**- 228**	**- 107**	**- 335**
As at Mar 31 2020	**2,994**	**10,351**	**355**	**3,214**	**61,994**	**78,908**	**4,501**	**83,409**

Notes

1. IPOPEMA Securities Group

The IPOPEMA Securities Group (the “Group”, “IPOPEMA Group”) comprises entities controlled by IPOPEMA Securities S.A. (the “parent” or the “Company”).

The parent’s registered office is at ul. Próżna 9, Warsaw, Poland.

Company shares are listed on the main market of the Warsaw Stock Exchange.

As at March 31st 2021, the IPOPEMA Group comprised IPOPEMA Securities S.A. and its subsidiaries presented in Section 2 below.

The Group’s principal business comprises:

1. brokerage activities,
2. business and management advisory services,
3. operation of investment fund companies, creation and management of investment funds,
4. management of portfolios of broker-traded financial instruments,
5. computer facilities management,
6. computer consultancy services.

IPOPEMA Securities S.A. – the parent

The parent was established on March 2nd 2005, as Dom Maklerski IPOPEMA S.A., for indefinite time. The name was subsequently changed to IPOPEMA Securities S.A. under Resolution No. 5 of the Extraordinary General Meeting held on August 10th 2006.

The parent is registered in the Business Register of the National Court Register maintained by the District Court, 12th Commercial Division of the National Court Register, under entry No. KRS 0000230737.

The parent was assigned Industry Identification Number (REGON) 140086881.

IPOPEMA Securities S.A. is authorised to conduct brokerage activities by the Polish Financial Supervision Authority (formerly the Polish Securities and Exchange Commission).

As part of its brokerage business the Company provides comprehensive services in the area of intermediation in securities trading on the secondary market, and intermediates in debt instruments trading outside the regulated market. The Company’s partners and clients include established and well known international financial institutions, as well as most of leading Polish institutional investors, including open-end pension funds, investment fund companies, asset managers and insurers, as well as private individuals. The brokerage business of IPOPEMA Securities S.A. is supported by a team of analysts, who provide research coverage on several dozen companies listed on the WSE and foreign stock exchanges.

The Company’s investment banking services include comprehensive assistance in the preparation and execution of transactions on the equity capital market, involving the use of equity instruments (shares), debt instruments (corporate bonds), and hybrid solutions (convertible bonds). The Company focuses on public offerings of securities (especially shares) – in which it acts as coordinator, offering broker and financial adviser – M&A transactions and management buy-outs, as well as advisory on the raising of financing on the private market, including from private equity funds and through pre-IPO placements. IPOPEMA Securities S.A. also assists companies listed on the Warsaw Stock Exchange in arranging share repurchase transactions, including tender offers and buyback programmes. It also provides financial restructuring advisory services.

Apart from the above business, the Company also conducts activities which consist in offering brokerage services and investment products, including active investment advisory services, targeting a broader base of retail clients. These activities are carried out directly by IPOPEMA Securities and through third parties acting as its agents.

2. Composition of the Group

IPOPEMA Securities S.A. is the parent of the IPOPEMA Group. Both the parent and the other Group companies have been established for indefinite time.

As at March 31st 2021, the Group comprised IPOPEMA Securities S.A. and the following subsidiaries:

1) consolidated subsidiaries controlled by the Company:

Company	Principal business	Consolidation method	Ownership interest	% of voting rights
IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A.	- operation of investment fund companies, creation and management of investment funds - discretionary management of securities portfolios - securities trading advisory services - intermediation in the sale and redemption of investment fund shares - representation services for foreign funds	full	100%	100%
IPOPEMA Business Consulting Sp. z o.o.	- other business and management consultancy services - computer facilities management - computer consultancy - software-related activities - wholesale of computers, computer peripherals and software	full	50.02%	50.02%
IPOPEMA Financial Advisory Sp. z o.o. spółka komandytowa	- advisory services related to corporate financial restructuring and finance raising for infrastructure projects	full	N/A	

2) non-consolidated subsidiaries controlled by the Company:

Company	Principal business	Consolidation method	Ownership interest	% of voting rights
IPOPEMA Financial Advisory Sp. z o.o. ("IFA")	- support for the activities of IPOPEMA Financial Advisory Sp. z o.o. spółka komandytowa	not consolidated (due to immateriality of financial data)	100%	100%
MUSCARI Capital Sp. z o.o. ("MUSCARI")	- intermediation in offering the Company's brokerage services as an investment firm agent	not consolidated (due to immateriality of financial data)	100%	100%

IFA and MUSCARI are not consolidated as their effect on the Group's data is immaterial.

3. Basis of preparation of the interim condensed consolidated financial statements

3.1. Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 and the IFRSs applicable to interim financial reporting, as endorsed by the European Union. Other standards, revisions and amendments to existing standards, and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), which have been endorsed recently or are pending endorsement, are not relevant to the Group's operations or their effect on the Group's financial statements would be immaterial.

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

These interim condensed consolidated financial statements of the Group cover the three months ended March 31st 2021 and contain comparative data for the three months ended March 31st 2020 and as at December 31st 2020 (for the purposes of the interim condensed consolidated statement of financial position and interim condensed consolidated statement of changes in equity).

These interim condensed consolidated financial statements do not include all the information and disclosures required in the case of full-year consolidated financial statements and should be read in conjunction with the consolidated financial statements of the IPOPEMA Securities Group for 2020.

3.2. Measurement currency and reporting currency

The measurement currency and the reporting currency of these interim condensed consolidated financial statements is the Polish złoty ("PLN") and all figures in these financial statements are presented in thousands of Polish złoty, unless stated otherwise.

3.3. Going concern assumption

These interim condensed consolidated financial statements were prepared on the assumption that the companies of the Group would continue as going concerns in the foreseeable future. As at the date of authorisation of these financial statements for issue, there were no circumstances which would indicate any threat to the Group's consolidated companies continuing as going concerns.

3.4. Comparability of data

There were no significant presentation changes in the three months ended March 31st 2021.

4. Changes in applied accounting policies

The accounting policies applied in preparing these interim condensed consolidated financial statements are consistent with the policies applied in preparing the Group's consolidated financial statements for the year ended December 31st 2020, issued on March 30th 2021. The consolidated financial statements for 2020 were prepared in accordance with the International Financial Reporting Standards adopted by the International Accounting Standards Board and the interpretations issued by the International Financial Reporting Interpretations Committee.

5. Selected accounting policies

Categories of financial assets

Financial assets are classified by the Group into the following categories:

- financial assets measured at amortised cost,
- financial assets measured at fair value through profit or loss,
- financial assets measured at fair value through other comprehensive income,
- investments in equity instruments measured at fair value through other comprehensive income.

Financial assets are classified on initial recognition, depending on the Group's business model for managing financial assets and the nature of contractual cash flows from the instruments.

Financial liabilities are classified by the Group into the following categories:

- financial liabilities measured at fair value through profit or loss (including financial instruments),
- financial liabilities at amortised cost.

The Group classifies each financial instrument into a given category upon initial recognition.

Financial assets and financial liabilities measured at fair value through profit or loss

A financial asset is measured at fair value through profit or loss if it is not measured at amortised cost or at fair value through other comprehensive income.

Financial assets acquired in transactions on the regulated market are recognised as at the transaction date at cost, i.e. at the fair value of the instrument, whereas financial liabilities are first recognised in the accounting books at the contract date at the fair value of the instrument.

As at each reporting date, financial assets measured at fair value through profit or loss are measured and any gains or losses are recognised as income or expense on finance instruments measured at fair value through profit or loss.

Financial assets measured at fair value through profit or loss held by the Group are shares listed on the Warsaw Stock Exchange ('WSE') and a currency forward. For the purpose of the measurement, the Group takes into account the closing prices quoted by the WSE on the last business day of the reporting period.

The Group does not apply hedge accounting.

Financial assets measured at fair value through other comprehensive income.

A financial asset is classified as a 'financial asset measured at fair value through other comprehensive income' if both of the following conditions are met:

- it is managed in accordance with the business model the objective of which is to both collect the contractual cash flows and sell the financial asset,
- the contractual terms of the asset give rise to cash flows on specified dates, with the cash flows being solely payments of principal and interest on the principal amount outstanding.

Financial assets measured at fair value through other comprehensive income are disclosed as at the transaction date at fair value plus directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value, and any changes in the fair value (other than impairment losses and foreign exchange gains and losses) are recognised in other comprehensive income and presented in equity as revaluation reserve. When an investment is derecognised, the gain or loss accumulated in revaluation reserve is reclassified to retained earnings as a reclassification adjustment.

The fair value of equity instruments traded on an active market is based on their current purchase price. If there is no active market for a given financial asset or unlisted securities, the Group determines their fair value using valuation techniques. These include the use of recent arm's length market transactions, reference to other instruments that are substantially the same, and analysis of discounted cash flows, making maximum use of market inputs; in certain cases, the purchase price may be the best estimate.

Investments in equity instruments measured at fair value through other comprehensive income.

'Investments in equity instruments measured at fair value through other comprehensive income' include in particular investment fund units and investment certificates purchased for the purpose of investing surplus funds. They are disclosed under non-current assets unless the Group intends to sell them within 12 months of the reporting date.

Investment certificates and fund units are recognised at fair value, based on the net asset value per certificate/unit as published by the investment fund in consultation with the depositary. Remeasurement gains and losses are posted under other comprehensive income. Subsequent to initial recognition, they are measured at fair value, and changes in the fair value are recognised in other comprehensive income and presented in equity as revaluation reserve.

Financial liabilities measured at amortised cost

Other financial liabilities, including bank borrowings and lease liabilities, are initially measured at fair value less transaction costs And subsequently at amortised cost (interest expense is recognised using the effective interest method). The effective interest method is a method of calculating the amortised cost of a liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future payments or receipts over the expected life of a financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability.

The Group derecognises a financial liability when, and only when, the Group's obligation specified in the contract is discharged or cancelled or expires.

Receivables

Short-term receivables

Short-term receivables are financial assets measured at amortised cost. This asset class includes receivables from clients, receivables from related entities other than consolidated entities, receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses on account of concluded transactions and all or part of receivables on account of other titles not carried as financial assets, which fall due within 12 months from the end of the reporting period.

Receivables are initially recognised in accordance with IFRS 15 and measured as at the end of the reporting period at amortised cost. The carrying amount of receivables is revised based on the expected credit losses model. As of January 1st 2018, allowance for expected credit losses is recognised at the time of initial recognition of receivables. As permitted by the standard, a simplified approach is applied in the Group's financial statements to trade receivables that do not contain a significant financing component and to lease receivables, with the impairment loss measured at an amount equal to lifetime expected credit losses.

The Group applied a portfolio approach to recognition of impairment losses, with impairment losses ranging from 0.02% for non-delinquent receivables to 73.1% for receivables overdue more than one year. If there are indications that a credit loss may have occurred, the Group may recognise impairment losses for individual assets. Changes in allowances for expected credit losses are recognised in profit or loss.

Credit risk related to security deposits held at banks, receivables on account of stock-exchange transactions, deposits held at clearing houses and public receivables is assessed as low and the effect of the credit loss allowance on the consolidated financial statements has been disregarded.

A significant item among the Group's short-term receivables are receivables from clients arising from stock-market transactions. These include receivables from clients, short-term receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses, current liabilities to clients and current liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses arising in connection with transaction to buy or sell securities which have not yet been cleared given the nature of the transaction clearing procedure (T+2). In the case of buy transactions executed on stock exchanges on behalf of clients whose accounts are maintained by custodian banks, the Group recognises current liabilities towards banks conducting brokerage activities, other brokerage houses and commodity brokerage houses (market counterparties)* and short-term receivables from the clients on behalf of whom such buy transactions are executed. In the case of sale transactions executed on stock exchanges to execute orders placed by clients whose accounts are kept by custodian banks, the Group discloses short-term receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses (parties to the market transactions)* and current liabilities towards the clients for whom the sale transactions were executed.

** Pursuant to Art. 45h of the amended Act on Trading in Financial Instruments, in the case of transactions executed on the WSE, KDPW CCP (the clearing agent) assumed the rights and obligations of the parties to the market transactions.*

Long-term receivables

Long-term receivables are receivables whose term to maturity is longer than 12 months from the end of the reporting period.

Impairment of assets

As at the end of each reporting period, the Group evaluates whether there is any indication that a non-financial asset may be impaired. Intangible assets which are not yet available for use are tested on an annual basis, regardless of whether there is an indication of impairment. These assets may be tested for impairment at any time during the year.

The following may indicate possible impairment of an asset:

- impairment of the market value of an asset during the period is much higher than it might have been expected as a result of passage of time and normal use,
- significant adverse technological, market, economic or legal changes have occurred during the reporting period or are likely to occur in the near future in the Group's operating environment or on the markets for which the asset is intended,
- market interest rates or other market rates of return on investment have increased during the period and the increase is likely to affect the discount rate applied to calculate the asset's value in use and reduce its recoverable amount,
- the carrying amount of the Group's net assets is higher than their market capitalisation,
- evidence exists for impairment of usefulness of an asset or physical damage to an asset,
- significant adverse changes in the current or expected scope or manner of use of an asset have occurred during the reporting period or are likely to occur in the near future,

- there is evidence, originating from internal reporting, for poorer than expected, current or future, economic performance of an asset.

Liabilities

Current liabilities

Current liabilities are liabilities which are payable within 12 months from the end of the reporting period. Liabilities are measured at amortised cost.

Current liabilities include all liabilities to customers, liabilities to non-consolidated related entities, liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses under executed transactions, liabilities to the Central Securities Depository of Poland (KDPW) and exchange clearing houses, and liabilities to entities operating regulated securities markets, as well as all other liabilities not classified as lease liabilities, non-current liabilities, accrued expenses and deferred income or provisions for liabilities.

Current liabilities include overdrafts, whose methods of measurement are described in "Financial liabilities measured at amortised cost" above.

Recognition of current liabilities under executed securities exchange transactions is discussed in ‘Short-term receivables from clients, short-term receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses, current liabilities to clients and current liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses’ above.

Non-current liabilities

Non-current liabilities are liabilities which are payable within more than 12 months from the end of the reporting period.

Leases

For each contract concluded on or after January 1st 2020, the Group decides whether the contract is or contains a lease. A lease is defined as a contract or part of a contract that conveys the right to control the use of an identified asset (the underlying asset) for a period of time in exchange for consideration. To this end, three main aspects are analysed:

- whether a contract refers to an identified asset which is either clearly identified in the contract or in an implied manner when the asset is made available to the Group,
- whether the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use specified in the contract,
- whether the Group has the right to direct the use of an identified asset throughout the period of use.

As at the lease commencement date, the Group recognises a right-of-use asset and a lease liability. A right-of-use asset is initially measured at cost consisting of the initial amount of the lease liability, initial direct costs, an estimate of the costs expected to be incurred to dismantle the underlying asset and the lease payments made at or before the commencement date, less any lease incentives.

The Group depreciates right-of-use assets on a straight-line basis from the commencement date to the end of the right-of-use period or to the end of the lease term, whichever is earlier. If there is any indication of that a right-of-use asset may have been impaired, the asset is tested for impairment in accordance with IAS 36.

At the commencement date, the Group measures the lease liability at the present value of outstanding lease payments using the interest rate lease, if the rate can be readily determined. If the rate cannot be readily determined, the lessee uses the lessee's incremental borrowing rate.

Lease payments included in the value of a lease liability consist of fixed lease payments, variable lease payments based on an index or rate, expected amounts to be paid as a guaranteed residual value, and payments for a call option if its exercise is reasonably certain.

In subsequent periods, lease liabilities are reduced by payments made and increased by accrued interest. Measurement of a lease liability is updated to reflect changes in the contract and reassessment of the lease term, exercise of a purchase option, guaranteed residual value or lease payments based on an index or rate. As a rule, remeasurement is recognised as adjustment to the carrying amount of a right-of-use asset.

The Group applies standard-permitted practical expedients for short-term leases and leases with low-value underlying assets (i.e. the initial value of the leased asset does not exceed USD 5 thousand). In such contracts, instead of recognising a right-of-use asset and a lease liability, the lease payments are recognised in profit or loss on a straight-line basis over the lease term.

6. Accounting policies introduced in 2021

Standards and interpretations which have been issued and are effective for annual periods beginning on or after January 1st 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – IBOR reform, effective for annual periods beginning on or after January 1st 2021;
- Amendments to IFRS 4 *Insurance Contracts* – deferral of the application of IFRS 9 *Financial Instruments;* effective for annual periods beginning on or after January 1st 2021.

The Group did not opt for early adoption of other standards and interpretations which have been issued but are not yet effective.

7. New standards and interpretations which have been issued but are not yet effective

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee but are not effective yet:

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The accounting approach depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a business. Full gain or loss is recognised by the investor if the non-monetary assets constitute a business. If the assets do not meet the definition of a business, the investor recognises a partial gain or loss, excluding the part corresponding to other investors' interests. The effective date of the amended regulations has not been set by the International Accounting Standards Board.
- IFRS 17 *Insurance Contracts* – issued on May 18th 2017 and effective for annual periods beginning on or after January 1st 2023. The main objective of IFRS 17 is to ensure transparency and comparability of the insurers' financial statements. To this end, an entity will disclose quantitative and qualitative information to enable users of its financial statements to assess the impact of insurance contracts on the entity's financial position, financial performance and cash flows. IFRS 17 introduces a number of significant amendments to the existing IFRS 4 requirements.
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current – issued on January 23rd 2020 and effective for annual periods beginning on or after January 1st 2023. The amendments to IAS 1 affect the requirements for presentation of liabilities in the financial statements. The classification of financial liabilities as non-current liabilities will depend on the existence of rights to defer settlement of the liability by at least twelve months and on the satisfaction of conditions for the deferment at the end of the reporting period.
- Amendments to IAS 16: *Property, Plant and Equipment*. The amended standard prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss. The amendments are effective for annual periods beginning on or after January 1st 2022.
- Amendments to IAS 37: *Provisions, Contingent Liabilities and Contingent Assets*. The amended standard clarifies what costs an entity considers in assessing whether a contract is onerous. The amendments are effective for financial statements for periods beginning on or after January 1st 2022.
- Annual Improvements – 2018-2020 Cycle – the amendments explain and clarify the guidance on recognition and measurement provided in the standards: IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IAS 41 *Agriculture*, and illustrative examples to IFRS 16 *Leases*; effective for annual periods beginning on or after January 1st 2022.
- Amendments to IFRS 16 *Leases*: Covid-19-Related Rent Concessions beyond June 30th 2021 – a change with respect to lease modifications that extends, by one year, the period of exemption from assessing whether a COVID-19-related rent concession is a lease modification. The amendments are effective for financial statements for the financial year beginning April 1st 2021.
- Amendments to IFRS 3 *Business Combinations*, IAS 16 *Property, Plant and Equipment* and IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* – effective for annual periods beginning on or after January 1st 2022.
- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* – Definition of Accounting Estimates. The amendments clarify the definition of accounting estimates, i.e.: monetary amounts in financial statements that are subject to measurement uncertainty. The amendments are effective for annual periods beginning on or after January 1st 2023.

The Group will apply the amended standards as of January 1st 2022, unless a different effective date is provided. Upon initial application, the amended standards will have no material effect on the Group's consolidated financial statements.

The Group did not opt for early application the above standards, amendments, and interpretations.

8. Changes in estimates

In the first three months of 2021, there were no changes to estimates other than changes in accrued expenses and deferred income, depreciation/amortisation and impairment losses on receivables, discussed in Note 14.

9. Translation of foreign-currency items

Transactions in currencies other than the Polish złoty are accounted for as at the transaction date, using the following exchange rates:

1) the exchange rate actually applied on the transaction date, resulting from the nature of the transaction – in the case of sale or purchase of foreign currencies and payment of receivables or liabilities,
2) the mid-rate quoted for a given currency by the National Bank of Poland (the "NBP") on the day preceding the transaction date – in the case of payment of receivables or liabilities, if the application of the exchange rate specified in item 1 is not justified, and in the case of other transactions.

As at the end of the reporting period, monetary assets and liabilities denominated in currencies other than the Polish złoty are translated into the złoty at the mid-rate quoted by the NBP for a given currency, in effect at the end of the reporting period. Currency translation differences are disclosed as finance income or costs, as appropriate.

The following exchange rates were used to determine the carrying amounts:

Currency	Mar 31 2021	Dec 31 2020	Mar 31 2020
USD	3.9676	3.7584	4.1466
EUR	4.6603	4.6148	4.5523
HUF 100	1.2812	1.2638	1.2679
GBP	5.4679	5.1327	5.1052
CZK	0.1783	0.1753	0.1665
CHF	4.2119	4.2641	4.3001
TRY	0.4742	0.5029	0.6314
JPY 100	3.5900	3.6484	3.8208
NOK	0.4657	0.4400	0.3953
CAD	3.1500	2.9477	2.9214
SEK	0.4556	0.4598	0.4114
DKK	0.6267	0.6202	0.6096
AUD	3.0232	2.8950	2.5481
RON	0.9462	0.9479	0.9429

Source: National Bank of Poland.

10. Earnings per share

For each period, earnings per share are computed as the quotient of the net profit attributable to the parent for the period and the weighted average number of shares in the period.

To obtain diluted earnings per share, the weighted average number of shares in the period is adjusted to account for all potentially dilutive ordinary shares. As there were no dilutive shares, the amounts of basic earnings per share and diluted earnings per share in the reporting period were the same.

	Jan 1–Mar 31 2021	Jan 1–Mar 31 2020
Number of shares	29,937,836	29,937,836
Weighted average number of shares	29,937,836	29,937,836
Net profit/(loss) on continuing operations per share	0.10	0.00

11. Operating segments

For management purposes, the Group is divided into separate segments based on types of services provided. There are therefore the following reporting operating segments:

1. The segment of brokerage and related services, comprising the business of (i) IPOPEMA Securities, i.e. brokerage and investment banking activities, distribution of investment products, investment advisory services addressed to a broad range of retail investors, and (ii) IFA SK, i.e. advisory services related to corporate financial restructuring and finance raising for infrastructure projects.
2. The segment of investment fund and portfolio management, comprising the business of IPOPEMA TFI, i.e. creation and management of investment funds as well as management of portfolios of broker-traded financial instruments.
3. The segment of advisory services, comprising the services of IPOPEMA Business Consulting, which focuses on business and management advisory, computer facilities management, computer advisory and software-related activities.

3 months ended Mar 31 2021	Continuing operations				Discontinued operations	Total operations
	Brokerage and related services	Investment fund and portfolio management	Advisory services	Total		
Revenue						
Segment's total revenue, including:	20,001	39,420	6,256	65,677	-	65,677
- from clients for each of whom the value of transactions in the period exceeds 10% of revenue, including:	-	15,963	-	15,963	-	15,963
Client 1	-	15,963	-	15,963	-	15,963
Intersegment sales	- 837	-	-	- 837	-	- 837
Consolidation eliminations	- 88	-	-	- 88	-	- 88
Sales to external clients	**19,076**	**39,420**	**6,256**	**64,752**	**-**	**64,752**
Segment's costs						
Segment's costs – purchases from external suppliers	- 16,207	- 37,742	- 6,180	- 60,129	-	- 60,129
Segment's costs – intersegment purchases	-	837	-	837	-	837
Consolidation eliminations	88	-	-	88	-	88
Segment's total costs, including:	**- 16,119**	**- 36,905**	**- 6,180**	**-59,204**	**-**	**- 59,204**
Depreciation and amortisation	**- 734**	**- 649**	**- 142**	**- 1,525**	**-**	**- 1,525**
Segment's profit/(loss) on core activities	**2,957**	**2,515**	**76**	**5,548**	**-**	**5,548**
Unallocated costs	-	-	-	-	-	-
Profit/(loss) from continuing operations before tax and finance costs	2,957	2,515	76	5,548	-	5,548
Interest income	13	-	24	37	-	37
Interest expense	- 240	- 42	- 9	- 291	-	- 291
Other finance income/costs, net	- 871	- 148	21	- 998	-	- 998
Other income/expenses	2	- 227	17	- 208	-	- 208
Consolidation eliminations	- 196	-	-	- 196	-	- 196
Profit/(loss) before tax and non-controlling interests	**1,665**	**2,098**	**129**	**3,892**	**-**	**3,892**
Income tax	578	272	1	851	-	851
IFRS adjustments	-	-	-	-	-	-
Total corporate income tax	578	272	1	851	-	851
Net profit/(loss) for period	**1,087**	**1,826**	**128**	**3,041**	**-**	**3,041**
Assets and liabilities as at Mar 31 2021						
Segment's assets	540,807	72,046	17,370	630,223	-	630,223

Other assets not allocated to segments	-	-	-	-	-	-
Total assets	**540,807**	**72,046**	**17,370**	**630,223**	**-**	**630,223**
Segment's liabilities	473,418	17,496	6,853	497,767	-	497,767
Accrued expenses and deferred income	6,911	8,043	497	15,451	-	15,451
Segment's net profit/(loss)	1,087	1,826	128	3,041	-	3,041
Equity (excluding net profit/(loss) for current period)	55,093	48,267	5,695	109,055	-	109,055
Non-controlling interests	68	-	4,841	4,909	-	4,909
Total equity and liabilities	**536,577**	**75,632**	**18,014**	**630,223**	**-**	**630,223**
Other segment data						
Capital expenditure, including:	198	104	43	345	-	345
property, plant and equipment	28	37	25	90	-	90
intangible assets	170	67	18	255	-	255
Depreciation of property, plant and equipment	106	196	27	329	-	329
Amortisation of intangible assets	102	20	13	135	-	135
Depreciation of right-of-use assets	526	433	102	1,061	-	1,061
Impairment losses	-	-	-	-	-	-
Other	-	-	-	-	-	-

3 months ended Mar 31 2020	Continuing operations				Discontinued operations	Total operations
	Brokerage and related services	Investment fund and portfolio management	Advisory services	Total		
Revenue						
Segment's total revenue, including:	9,758	33,078	6,386	49,222	-	49,222
- from clients for each of whom the value of transactions in the period exceeds 10% of revenue, including:	-	11,845	-	11,845	-	11,845
(i) Client 1	-	11,845	-	11,845	-	11,845
Intersegment sales	- 89	-	-	- 89	-	- 89
Consolidation eliminations	- 88	-	-	- 88	-	- 88
Sales to external clients	**9,581**	**33,078**	**6,386**	**49,045**	**-**	**49,045**
Segment's costs						
Segment's costs – purchases from external suppliers	- 10,184	- 30,371	- 6,513	- 47,068	-	- 47,068
Segment's costs – intersegment purchases	-	89	-	89	-	89
Consolidation eliminations	88	-	-	88	-	88
Segment's total costs, including:	**- 10,096**	**- 30,282**	**- 6,513**	**- 46,891**	**-**	**- 46,891**
Depreciation and amortisation	**- 681**	**- 415**	**- 128**	**- 1,224**	-	**- 1,224**
Segment's profit/(loss) on core activities	**- 515**	**2,796**	**- 127**	**2,154**	**-**	**2,154**
Unallocated costs	-	-	-	-	-	-
Profit from continuing operations before tax and finance costs	- 515	2,796	- 127	2,154	-	2,154
Interest income	64	12	41	117	-	117
Interest expense	- 275	- 38	- 39	- 352	-	- 352
Other finance income/costs, net	- 1,665	228	104	- 1,333	-	- 1,333
Other income/expenses	- 127	- 114	- 11	- 252	-	- 252
Consolidation eliminations	- 294	-	-	- 294	-	- 294
Profit/(loss) before tax and non-controlling interests	**- 2,812**	**2,884**	**- 32**	**40**	**-**	**40**
Income tax	- 346	553	- 3	204	-	204
IFRS adjustments						
Consolidation eliminations	-	-	-	-	-	-
Total corporate income tax	- 346	553	- 3	204	-	204
Net profit/(loss) for period	**- 2,466**	**2,331**	**- 29**	**- 164**	**-**	**- 164**
Assets and liabilities as at Dec 31 2020						
Segment's assets	488,822	81,848	18,403	589,073	-	589,073
Other assets not allocated to segments	-	-	-	-	-	-
Total assets	**488,822**	**81,848**	**18,403**	**589,073**	**-**	**589,073**
Segment's liabilities	421,807	21,529	8,243	451,579	-	451,579
Accrued expenses and deferred income	8,267	14,977	290	23,534	-	23,534
Segment's net profit/(loss)	9,752	19,567	882	30,201	-	30,201
Equity (net of profit/loss for current period)	45,416	28,638	5,261	79,315	-	79,315
Non-controlling interests	51	-	4,393	4,444	-	4,444
Total equity and liabilities	**485,293**	**84,711**	**19,069**	**589,073**	**-**	**589,073**
Other segment data						
Capital expenditure, including:	776	1,588	118	2,482	-	2,482
property, plant and equipment	360	1,130	79	1,569	-	1,569
intangible assets	416	458	39	913	-	913
Depreciation of property, plant and equipment	522	667	104	1,293	-	1,293

Amortisation of intangible assets	449	25	18	492	-	492
Depreciation of right-of-use assets	1,710	1,408	409	3,527	-	3,527
Impairment losses	-	-	-	-	-	-
Other	-	-	-	-	-	-

12. Notes to the interim condensed consolidated statement of financial position – assets

Cash and cash equivalents

Cash and other assets	Mar 31 2021	Dec 31 2020
Cash and other assets of the Group		
a) at banks and in hand	60,607	34,891
b) other cash	303,028	278,304
c) cash equivalents	7	7
Total	**363,642**	**313,202**
Cash and other assets		
a) own cash and other own assets of the Group	78,821	41,121
b) cash and other assets of clients deposited in cash accounts at the brokerage house and paid towards acquisition of securities in an IPO or on the primary market	274,321	261,281
c) cash in escrow account	10,500	10,800
d) cash and other assets transferred from the settlement guarantee fund	-	-
Total	**363,642**	**313,202**

Free cash is deposited in bank accounts and invested in term and overnight deposits. Short-term deposits are placed for periods ranging from one day to several months, depending on the Group's cash requirement at a given time, and bear interest at variable or fixed interest rates, set by reference to the interest rate for overnight bank deposits. Short-term deposits are presented under other cash. Deposits maturing in more than three months are presented under cash equivalents.

The item 'other cash' includes clients' cash deposited in the parent's bank account of PLN 274,321 thousand as at March 31st 2021 and PLN 261,281 thousand as at December 31st 2020.

Receivables

Trade and other receivables	Mar 31 2021	Dec 31 2020
Short-term receivables	233,025	243,730
Long-term receivables	9,174	9,323
Long-term loans	160	217
Prepayments and accrued income	1,726	1,352
short-term	1,687	1,305
long-term	39	47
Trade and other receivables	**244,085**	**254,622**

Short-term receivables	Mar 31 2021	Dec 31 2020
1. From clients / trade receivables	85,989	124,758
a) under deferred payment arrangements	-	-
b) under past due receivables and disputed claims for which no impairment losses were recognised	-	-
c) from clients under executed transactions	73,177	88,059
- transactions on the Warsaw Stock Exchange	52,987	69,128
- executed on the Frankfurt Stock Exchange	3,705	9,332
- transactions on the New York Stock Exchange	311	7,176
- transactions on the Copenhagen Stock Exchange	16,174	-
- transactions on the Toronto Stock Exchange	-	2,423
d) other	12,812	36,699
2. From related entities	21	-
3. From banks conducting brokerage activities, other brokerage houses and commodity brokerage houses*	101,565	53,053
a) under transactions	80,914	40,150
- transactions on the Warsaw Stock Exchange*	80,914	32,239
- transactions on the New York Stock Exchange	-	7,911
b) other	20,651	12,903
4. From the Central Securities Depository of Poland and exchange clearing houses	22,246	35,132
- from the settlement guarantee fund	22,246	35,132
5. From investment and pension fund companies and from investment and pension funds	20,543	28,112
6. Taxes, subsidies and social security receivable	342	146
7. Under litigation, not covered by recognised impairment losses on receivables	-	-
8. Under framework securities lending and short sale agreements	-	-
9. Other	2,319	2,529
- loans	1,001	1,262
- other	1,318	1,267
Total short-term receivables	**233,025**	**243,730**

** In accordance with Art. 45h of the amended Act on Trading in Financial Instruments, short-term receivables from banks conducting brokerage activities, other brokerage houses and commodity brokerage houses under executed transactions, where such transactions are executed on the WSE, include receivables from KDPW CCP (the clearing agent, which has assumed the rights and obligations of the parties to the transactions).*

Short-term receivables and current liabilities are recognised predominantly in connection with executed buy and sell transactions in securities, not yet settled at clearing houses.

In the case of buy transactions executed on stock exchanges on behalf of clients whose accounts are maintained by custodian banks, the Group recognises liabilities towards the parties to market transactions (banks conducting brokerage activities, other brokerage houses and commodity brokerage houses, known as anonymous transaction counterparties) and receivables from the clients on behalf of whom such buy transactions have been executed. In the case of sell transactions executed on stock exchanges on behalf of clients whose accounts are maintained by custodian banks, the Group recognises receivables from the parties to market transactions and liabilities towards the clients on behalf of whom such sell transactions have been executed.

Financial assets and liabilities

In the three months ended March 31st 2021 and in the comparative period, the policies for measurement of financial assets at fair value or classification of financial assets did not change.

As at March 31st 2021 and December 31st 2020, the carrying amounts of financial assets and financial liabilities approximated their fair values.

Financial instruments and item of the consolidated statement of financial position	Mar 31 2021		Dec 31 2020	
	carrying amount	fair value	carrying amount	fair value
Financial assets measured at amortised cost	**606,001**	**606,001**	**556,472**	**556,472**
- cash and cash equivalents	363,642	363,642	313,202	313,202
- loans	1,161	1,161	1,479	1,479
- short- and long-term receivables	241,198	241,198	251,791	251,791
Financial assets measured at fair value through profit or loss	**1,088**	**1,088**	**120**	**120**
- shares in listed companies	1,088	1,088	120	120
Equity instruments measured through other comprehensive income	**3,346**	**3,346**	**3,259**	**3,259**
- shares and bonds (unlisted)	80	80	80	80
- investment fund units/investment certificates	3,266	3,266	3,179	3,179
Financial liabilities measured at amortised cost	**484,884**	**484,884**	**431,069**	**431,069**
- overdraft facility	11,260	11,260	16,651	16,651
- subsidy	1,751	1,751	1,751	1,751
- liabilities (other than credit facilities and subsidy)	471,873	471,873	412,667	412,667
Financial liabilities measured at fair value through profit or loss	**309**	**309**	**101**	**101**
- derivative financial instruments	309	309	101	101

The Group uses derivatives to mitigate the risk of exchange rate changes for currencies in which some of the Group's securities sale and purchase transactions are denominated. While the derivative instruments held by the Group hedge it against currency risk, they are not security within the meaning of IFRS 9. Consequently, they are recognised as held for trading. All derivatives are measured at fair value, determined based on market inputs.

Shares in non-consolidated subsidiaries (not listed companies) as well as fund units and investment certificates are designated as measured at fair value through other comprehensive income as they are classified as equity instruments. In the three months ended March 31st 2021, the Group reported profits of PLN 77 thousand on this category of financial assets (three months ended March 31st 2020: loss of PLN 103 thousand).

The table below presents financial instruments measured at fair value classified in the three-level hierarchy:

Level 1 – where fair value is measured based on quoted (unadjusted) prices for identical assets or liabilities in active markets,

Level 2 – where fair value is measured based on market inputs other than quoted market prices (e.g. estimated by direct or indirect reference to similar instruments in the market),

Level 3 – where fair value is measured using different valuation techniques which are not based on observable market inputs.

As at March 31st 2021

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Financial assets measured at fair value other than derivatives	1,088	-	-	1,088
Total financial assets measured at fair value through profit or loss	**1,088**	**-**	**-**	**1,088**
Equity instruments measured through other comprehensive income				
Investment certificates and investment fund units	-	3,266	-	3,266
Total equity instruments measured through other comprehensive income	**-**	**3,266**	**-**	**3,266**
Financial liabilities measured at fair value through profit or loss				
Derivative instruments	-	309	-	309
Total financial liabilities measured at fair value through profit or loss	**-**	**309**	**-**	**309**

* *Net of assets measured at cost.*

In the reporting period, there were no material transfers between Level 1 and Level 2 of the instruments' fair value.

As at December 31st 2020

	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value through profit or loss				
Financial assets measured at fair value other than derivatives	120	-	-	120
Total financial assets measured at fair value through profit or loss	**120**	**-**	**-**	**120**
Equity instruments measured through other comprehensive income				
Investment certificates and investment fund units	-	3,179	-	3,179
Total equity instruments measured through other comprehensive income	**-**	**3,179**	**-**	**3,179**
Financial liabilities measured at fair value through profit or loss				
Derivative instruments	-	101	-	101
Total financial liabilities measured at fair value through profit or loss	**-**	**101**	**-**	**101**

* *Net of assets measured at cost.*

Recognition and reversal of impairment losses on financial assets, property, plant and equipment, intangible assets or other assets.

In the three months ended March 31st 2021 and in 2020, the Group companies did not recognise any impairment losses on financial assets, property, plant and equipment, intangible assets or other assets, nor did they reverse impairment losses recognised in previous periods, except for the changes in impairment losses on receivables (Note 14).

Acquisition and sale of property, plant and equipment and intangible assets

In the three months ended March 31st 2021, the Group acquired property, plant and equipment and intangible assets valued at PLN 344 thousand (three months ended March 31st 2020: PLN 789 thousand).

Significant transactions to purchase or sell property, plant and equipment

In the three months ended March 31st 2021 and in 2020, the Group did not purchase or sell any material items of property, plant and equipment.

Material liabilities under purchases of property, plant and equipment

The Group has no material liabilities under purchases of property, plant and equipment.

13. Notes to the interim condensed consolidated statement of financial position – equity

Share capital

As at March 31st 2021, the registered share capital of the parent was PLN 2,993,783.60 (no change relative to December 31st 2020). The share capital was divided into 29,937,836 shares: 7,000,000 Series A ordinary bearer shares, (ii) 21,571,410 Series B ordinary bearer shares, and (iii) 1,366,426 Series C ordinary bearer shares.

14. Notes to the interim condensed statement of financial position – liabilities, accrued expenses and deferred income

Increase/(decrease) in accrued expenses and deferred income

	Jan 1–Mar 31 2021	Jan 1–Mar 31 2020	2020
As at beginning of reporting period	**23,534**	**8,842**	**8,842**
Recognised in period	8,335	4,865	35,706
Used	16,416	3,290	21,002
Reversed	2	2	12
As at end of reporting period	**15,451**	**10,415**	**23,534**

Impairment losses on receivables

In the three months ended March 31st 2021, impairment losses on receivables increased by PLN 644 thousand (three months ended March 31st 2020: increase of PLN 569 thousand).

Liabilities

	Mar 31 2021	Dec 31 2020
Current liabilities (excluding leases)	483,133	429,318
Non-current liabilities (excluding leases)	1,751	1,751
Trade and other payables	**484,884**	**431,069**

Liabilities (current)

Current liabilities (excluding leases)	**Mar 31 2021**	**Dec 31 2020**
To clients	362,618	317,207
To related entities	110	84
To banks conducting brokerage activities, other brokerage houses and commodity brokerage houses *	98,073	85,501
a) to the Warsaw Stock Exchange *	77,880	66,719
b) to the Toronto Stock Exchange	-	2,422
c) to the Frankfurt Stock Exchange	3,704	9,102
d) to the Copenhagen Stock Exchange	16,152	-
e) to the New York Stock Exchange	311	7,164
f) liabilities under transactions executed on over-the-counter market	26	94
To entities operating regulated securities markets and commodity exchanges	316	356
- to the Warsaw Stock Exchange	316	356
To the Central Securities Depository of Poland and exchange clearing houses	961	3,765
Borrowings	11,260	16,651
a) from related entities	-	-
b) other	11,260	16,651
Debt securities	2	1
Taxes, customs duties and social security payable	3,299	1,825
Salaries and wages	70	9
To investment and pension fund companies and to investment and pension funds	2,119	2,431
Other	4,305	1,488
a) dividends payable	400	400
b) other	3,905	1,088
- other liabilities	3,905	1,088
- financial liabilities measured at amortised cost	-	-
Total current liabilities	**483,133**	**429,318**

** In accordance with Art. 45h of the amended Act on Trading in Financial Instruments, the following items of the statement of financial position: current liabilities to banks conducting brokerage activities, other brokerage houses and commodity brokerage houses under executed transactions, where they relate to transactions executed on the WSE, include receivables from and liabilities to KDPW CCP (the agent clearing the transactions which has assumed the rights and obligations of the parties to the transactions).*

With the exception of bank borrowings and leases, liabilities do not bear interest.

Interest-bearing borrowings

Current liabilities under borrowings	Mar 31 2021	Dec 31 2020
Bank borrowings	11,260	16,651
- outstanding amount	11,260	16,651
Current liabilities under borrowings	**11,260**	**16,651**

As at March 31st 2021, the Group's liabilities under bank borrowings related to its brokerage business amounted to PLN 11,260 thousand (December 31st 2020: PLN 16,651 thousand). The liabilities arose under two overdraft facility agreements executed with Alior Bank S.A. on July 22nd 2009. The facilities, renewed each year, are used to finance payments due to the Central Securities Depository of Poland/KDPW CCP (the clearing agent) and related to the brokerage activities. The current facilities expire on November 15th 2021:

i. Revolving credit facility of up to PLN 8m. The purpose of the facility is to finance payment of the Company's liabilities to the Central Securities Depository of Poland/KDPW CCP in respect of the clearing and settlement of transactions concluded by the Company on the regulated market as part of its brokerage business. The facility is secured with a blank promissory note with a promissory note declaration, a power of attorney over accounts held with the bank, a declaration of voluntary submission to enforcement with respect to cash payments owed to the bank, and a PLN 4m security deposit placed in a term deposit account. The same instruments also secure the credit facility specified in item ii.

ii. Revolving credit facility of up to PLN 25m. The purpose of the facility is to finance the payment of the Company's liabilities resulting from its membership in the Transactions Settlement Guarantee Fund operated by KDPW CCP. The facility is secured with a blank promissory note with a promissory note declaration, a power of attorney over accounts held with the bank, and a declaration of voluntary submission to enforcement with respect to cash payments owed to the bank. As stated in item i above, both credit facilities are also jointly secured with a security deposit of PLN 4m.

Subsidies

On June 3rd 2020, IBC received PLN 1,751 thousand in subsidy under a governmental programme run by the Polish Development Fund ("PDF") to provide financial support to micro, small and medium-sized enterprises in order to mitigate the impact of the COVID-19 epidemic in Poland (the "Programme"). Under the Programme, up to 75% of the subsidy may be eligible for forgiveness, subject to fulfilment of relevant conditions. PDF may, however, request that the funding be repaid in full if: (i) the beneficiary ceases to carry on, or suspends, business activities, (ii) proceedings to liquidate the beneficiary have been instigated (if applicable), or (iii) insolvency or restructuring proceedings have been instigated with respect to the beneficiary, in any case, within 12 months of the grant date.

The repayable portion of the subsidy will be repaid in 24 equal monthly instalments starting from the 13th calendar month following the disbursement date. The IBC may repay the subsidy early, subject to fulfilment of relevant obligations under the subsidy agreement.

Bonds

In 2021, by the date of issue of these financial statements, the Company issued 10 bonds with a total nominal value of PLN 2 thousand, due in 2021 –2024. In the comparative period (i.e. in the three months ended March 31st 2020), the Company did not issue any bonds. The total amount of liabilities payable by the Group on redemption of the bonds will not exceed the bonds' nominal value and is not significant to the Group. The bonds issue was related to the Company's policy for the settlement of variable remuneration components.

In the three months ended March 31st 2021, the Company redeemed PLN 0.8 thousand worth of bonds (three months ended March 31st 2020: PLN 0.8 thousand.

Defaults under credit facilities or loans or breach of material credit covenants, with respect to which no remedial action was taken by the end of the reporting period

None.

15. Notes to the interim condensed consolidated statement of comprehensive income

Revenue from core activities

Revenue from core activities	Jan 1–Mar 31 2021	Jan 1–Mar 31 2020
Revenue from brokerage activities, including:	19,076	9,581
- revenue from trading in securities	8,794	7,762
- revenue from investment banking services	10,149	1,131
- other revenue from core activities	133	688
Revenue from investment fund and portfolio management services	39,420	33,078
Revenue from advisory services	6,256	6,386
Total revenue from core activities	**64,752**	**49,045**

Operating expenses

Cost of core activities	Jan 1–Mar 31 2021	Jan 1–Mar 31 2020
Fees payable to regulated markets, commodity exchanges, the Central Securities Depository of Poland and exchange clearing houses	1,332	1,196
Payments to CCP	78	83
Trade organisation membership fees	23	11
Salaries and wages	16,611	13,243
Social security	1,889	1,411
Employee benefits	247	168
Raw material and consumables used	150	198
Depreciation and amortisation	1,525	1,224
Taxes and other public charges	143	103
Other costs, including:	37,206	29,254
- fund management and distribution costs	27,263	22,044
- transaction costs other than cost of clearance through clearing houses or stock exchanges	4,555	1,031
- ICT and information services	1,802	1,373
- marketing, representation and advertising	251	411
- software purchases (for recharge)	348	858
- other services	2,987	3,537
Total cost of core activities	**59,204**	**46,891**

16. Income tax

The key components of income tax expense as disclosed in the interim condensed consolidated statement of comprehensive income are as follows:

	Jan 1–Mar 31 2021	Jan 1–Mar 31 2020
Profit before tax	**3,892**	**40**
Tax calculated at 19% rate	**739**	**8**
Taxable income/deductible expenses for which no deferred tax assets were recognised − total consolidation adjustments	- 30	491
Tax losses for which no deferred tax assets were recognised − other	142	- 23
Tax loss carryforwards for which no deferred tax assets were recognised	-	-
Use of unrecognised tax losses	-	-
Non-deductible expenses	142	248

Deductible/taxable temporary differences for which no deferred tax assets/liabilities were recognised	-	-
Non-taxable income	332	316
Tax base for current and deferred income tax	**4,478**	**1,072**
Reductions, exemptions	-	-
Income tax expense	**851**	**204**

Tax settlements

Tax settlements and other regulated areas of activity are subject to inspection by administrative authorities, which are authorised to impose significant fines and other sanctions. As there is no possibility of referring to an established regulatory framework in Poland, the applicable regulations often lack clarity and consistency. Frequent discrepancies in opinions concerning the legal construction of tax regulations, both between different governmental agencies, and between governmental agencies and enterprises, create areas of uncertainty and conflict. Consequently, tax risk in Poland is substantially higher than in countries with more mature tax systems.

Tax settlements are subject to inspection for five years from the end of the year in which the respective tax was paid. Such inspections may result in additional tax liabilities being imposed on the Group companies.

Deferred tax

Deferred tax liabilities decreased by PLN 26 thousand in the three months ended March 31st 2021 (three months ended March 31st 2020: decrease of PLN 3 thousand.

Deferred tax assets went up by PLN 345 thousand in the three months ended March 31st 2021 (three months ended March 31st 2020: decrease of PLN 187 thousand).

17. Dividends paid and proposed

In the three months ended March 31st 2021, the Company did not pay or resolve to pay any dividend.

On March 16th 2021, the General Meeting of IFA SK resolved to distribute a part of profit for 2019 of PLN 254 thousand. On February 7th 2020, the General Meeting of IFA SK resolved on a distribution from the 2018 profit of PLN 381 thousand. The Company received the full amount of its share in IFA SK's profit.

18. Issue, redemption and repayment of debt and equity securities

In 2021, by the issue date of these interim condensed consolidated financial statements, and in the three months ended March 2020, the Group companies did not issue any equity securities.

For information on debt securities, see Note 14.

19. Exclusions of companies from consolidation

In line with IAS 8.8, which permits departures from the IFRSs when the effect of such departure is immaterial, IFA and MUSCARI were not consolidated in these interim condensed consolidated financial statements.

PLN '000	IPOPEMA Financial Advisory Sp. z o.o.	MUSCARI Capital Sp. z o.o.
Total assets as at Mar 31 2021	7	403
% of parent's total assets	-	-
Revenue in Jan 1–Mar 31 2021	4	302
% share in parent's revenue	-	0.47
Net assets as at Mar 31 2021	- 1	- 450
Net profit/(loss) in Jan 1–Mar 31 2021	2	15

PLN '000	IPOPEMA Financial Advisory Sp. z o.o.	MUSCARI Capital Sp. z o.o.
Total assets as at Dec 31 2020	5	342
% of parent's total assets	-	-
Revenue in Jan 1–Mar 31 2020	4	-
% share in parent's revenue	-	-
Net assets as at Dec 31 2020	- 3	- 465
Net profit/(loss) in Jan 1–Mar 31 2020	4	- 60

20. Seasonality of operations

The operations of the Group companies are not subject to seasonality and the presented results do not show any material fluctuations during the year.

21. Contingent liabilities and contingent assets

The Company issued promissory notes as security for a credit facility (see Note 14), and paid: (i) a deposit of PLN 1.5m as security for settlement of transactions on foreign stock exchanges; and (ii) a deposit as security for the guarantee discussed in Note 14.

22. Guarantees

In January 2012, the Company received from PKO Bank Polski S.A. (formerly Nordea Bank Polska S.A.) a guarantee of up to EUR 268 thousand, secured by a security deposit with a current amount of PLN 1,791 thousand. Under an amendment of 2020, the guarantee amount was increased to EUR 308 thousand. The guarantee, provided until April 16th 2023, secures liabilities related to the lease of office space.

23. Leases

The Group as a lessee

In 2021, the most significant lease contracts were leases of office space. The right to use the building for the term of the contract was classified by the Group as lease. The contract was originally executed for a period of five years, starting from 2013, with an option to extend its term for another two years. Pursuant to an annex to the contract, executed in January 2016, the lease was extended until January 2023.

In December 2020, companies of the Group signed an agreement containing a lease of IT equipment. The agreement was executed for a period of three years, with an option to extend its term for further periods.

Group companies are parties to vehicle lease agreements. The financing party has the right to recalculate its fee in the event of changes in the 1M EURIBOR/WIBOR interest rate or regulatory changes (notably tax regime changes). The agreements provide for a mileage limit for the vehicles, which will be accounted for in respect of the entire lease term. If the mileage limit agreed by the parties is exceeded, the lessee has to pay an additional excess mileage charge.

In 2017, a Group company concluded a 60-month lease agreement for IT equipment, to support hosting services provided to the company's trading partner. As per the agreement, the company will have the option to extend the lease or purchase the equipment after the lease term expires. Subject to the consent of the equipment supplier, the company may assign the rights and obligations of the agreement to a third party, and 18 months after the start of the lease the company may terminate the lease without the supplier's consent, provided that the equipment is purchased for a price equivalent to the sum of remaining lease payments. The same terms are set forth in the hosting agreement concluded with the company's trading partner.

Minimum lease payments are presented in the table below.

Lease liabilities	Mar 31 2021		Dec 31 2020	
Net carrying amount	11,957		13,561	
Present value of minimum lease payments	**Lease payments**	**Finance charge**	**Lease payments**	**Finance charge**
Within 1 year	6,928	249	6,718	292
In 1 to 5 years	5,029	80	6,843	126
Over 5 years	-	-	-	-
Depreciation expense recognised in 3 months ended March 31st	**1,127**		**820**	

The Group as a lessor

Finance lease receivables	Mar 31 2021	Dec 31 2020
Net carrying amount	1,239	1,442
Present value of minimum lease payments	**1,239**	**1,442**
Within 1 year	847	832
In 1 to 5 years	392	610
Over 5 years	-	-

24. Related-party transactions

IPOPEMA Securities is the parent of the Group. The composition of the Group and equity interests are presented in Note 2. In the three months ended March 31st 2021 and March 31st 2020, the Group did not conclude any material related-party transactions, including transactions on non-arm's length basis.

Related-party transactions – income and expenses

Related party	Revenue Jan 1–Mar 31 2021	Purchases Jan 1–Mar 31 2021	Revenue Jan 1–Mar 31 2020	Purchases Jan 1–Mar 31 2020
IFA	-	-	-	4
MUSCARI	-	302	-	-
Members of the Management and Supervisory Boards	-	-	-	32
Total	**-**	**302**	**-**	**36**

Related-party transactions – receivables and liabilities

Related party	Receivables		Liabilities	
	Mar 31 2021	**Dec 31 2020**	**Mar 31 2021**	**Dec 31 2020**
IFA	-	-	-	-
MUSCARI	831	747	110	84
Members of the Management and Supervisory Boards	-	-	-	-
Total	**831**	**747**	**110**	**84**

Under IAS 24, related parties include also members of the Management Board and the Supervisory Board and persons related to them.

IPOPEMA Securities provides brokerage services to funds managed by IPOPEMA TFI S.A., but the related transaction costs are incurred directly by the funds. In the three months ended March 31st 2021 and in the comparative period, members of the Management and Supervisory Boards used fund management services; two funds in which some members of the Company's Management Board or their related persons are investors were exempted from administration fees.

25. Items of the consolidated statement of cash flows

Operating activities – provision of brokerage and advisory services, fund and asset management services and securities trading in the capacity of a broker.

Investing activities – purchase and sale of intangible assets, property, plant and equipment and long-term securities.

Financing activities – acquisition or loss of sources of financing (changes in the amount of and relation between equity and external capital at the entity) and any related monetary costs and benefits.

Structure of cash

Cash at end of period comprises the Group's own and its clients' cash and cash equivalents – for more information on the structure of cash, see Note 12.

The reason for the difference (PLN 10 million) between the presentation of cash in the statement of financial position and in the cash flows as at March 31st 2020 was that the cash presented in the consolidated statement of cash flows was reduced by the amount of term deposits maturing in more than three months.

Differences in changes in items of the statement of financial position

	Presentation in the condensed consolidated statement of financial position Mar 31 2021	Presentation in the condensed consolidated statement of financial position Dec 31 2020	Presentation in the condensed consolidated statement of cash flows – change Mar 31 2021
Gross receivables	245,639	255,849	10,515
Net receivables	242,199	253,053	
Impairment losses on receivables	3,440	2,796	329
Prepayments and accrued income	1,726	1,352	- 374
Accrued expenses and deferred income (net of deferred tax related to equity and provision for unpaid interest)	15,451	23,534	- 8,083
Total change in impairment losses and accruals and deferrals			**- 8,128**

The difference between the change in gross receivables disclosed in the statement of financial position and the amount disclosed in the interim condensed consolidated statement of cash flows is attributable to the removal from gross receivables as at March 31st 2021 of receivables under loans advanced, which are disclosed under investing activities. Impairment losses on loans recognised in the three months ended March 31st 2021, of PLN 316 thousand, were presented as other adjustments in operating activities.

	Presentation in the condensed consolidated statement of financial position Mar 31 2020	Presentation in the condensed consolidated statement of financial position Dec 31 2019	Presentation in the condensed consolidated statement of cash flows – change Mar 31 2020
Gross receivables	140,405	186,199	46,551
Net receivables	139,050	185,413	
Impairment losses on receivables	1,355	786	569
Prepayments and accrued income	1,570	1,246	- 324
Accrued expenses and deferred income (net of deferred tax related to equity and provision for unpaid interest)	10,415	8,842	1,573
Total change in impairment losses and accruals and deferrals			**1,818**

The difference between the change in gross receivables disclosed in the statement of financial position and the amount disclosed in the statement of cash flows is attributable to the removal from gross receivables as at March 31st 2020 of receivables under loans advanced and interest on a security deposit, which are disclosed under investing activities.

26. Litigation and administrative proceedings

On July 27th 2016, IPOPEMA TFI received a certified copy of a statement of claim filed by Górnośląskie Przedsiębiorstwo Wodociągów S.A. of Katowice ("GPW"), in which GPW sought payment of PLN 20,554,900.90 for an alleged financial loss incurred by GPW as a result of its investment in investment certificates of one of the dedicated funds managed by IPOPEMA TFI (a closed-end private equity fund). IPOPEMA TFI has not recognised any provision for potential costs related to the claim. IPOPEMA TFI considers GPW's claims to be groundless and is seeking to have the action dismissed. It filed a response to the statement of claim with the court and has participated in successive procedural steps. By the date of these interim condensed consolidated financial statements, a number of hearings were held and some of the witnesses were interrogated. Given the complex factual and legal circumstances, it is difficult at this point to predict the outcome of the proceedings or the date of their conclusion.

27. Clients' financial instruments

Clients' financial instruments	Mar 31 2021	Dec 31 2020
Securities admitted to official listing		
- quantity	140,947	111,608
- amount	2,456,738	1,336,860
Securities not admitted to official listing		
- quantity	730,462	35,666
- amount	1,300,199	184,204
Designated sponsor		
(i) shares		
- quantity	2,863	300
- amount	112,224	3,201
(ii) bonds		
- quantity	0.02	0.02
- amount	2,000	2,000
(iii) investment certificates		
- quantity	15,978	15,846
- amount	35,100,367	35,026,561

28. Material events and factors in the three months ended March 31st 2021

Equity market and investment banking

In the first months of this year, the Warsaw Stock Exchange continued to see very high levels of investor activity. Total trading volumes in the three months ended March 31st 2021 were up 53.5% year on year, with the growth largely driven by retail investors. As a result, IPOPEMA Securities recorded a lower share in total market trading volumes (2.13% vs 3.46% a year earlier, losing to brokerage offices specialising in services for retail customers), but its increased activity on foreign markets, as well as transactions executed jointly with the investment banking segment, translated into year-on-year growth in revenue from securities trading to PLN 8,794 thousand (three months ended March 31st 2020: PLN 7,762 thousand).

Investor optimism was also seen on the equity market: the first months of the year saw a number of transactions, of which the IPO of Huuuge was by far the largest. IPOPEMA Securities was the only entity organising this offering on the Polish market (it acted as a joint bookrunner and offeror and conducted price stabilisation activities). IPOPEMA Securities' revenue from investment banking services rose almost ninefold (to PLN 10,149 thousand versus PLN 1,131 thousand in the three months ended March 31st 2020).

As a result of the above factors, the brokerage services segment reported a profit on core activities of PLN 2,957 thousand (against a loss of PLN 515 thousand the year before) and net profit of PLN 1,087 thousand (net loss of PLN 2,466 thousand the year before).

IPOPEMA TFI

The year-on-year revenue growth reported by IPOPEMA TFI (relative to the three months ended March 31st 2020) was attributable to the segment's larger scale of operations and robust management performance, which translated into higher amounts of fees charged for fund management. In addition to fees for the management of securitisation funds, which account for a material portion of IPOPEMA TFI's revenue, the share of revenue from the management of capital market funds, whose asset value grew from PLN 1.7bn at the end of March 2020 to PLN 2.2bn at the end of March 31st 2021, continued on an upward trend. Taking into account the assets held in dedicated funds, IPOPEMA TFI remains Poland's largest fund management company in terms of assets under management. As at the end of March 2021, total assets under its management amounted to PLN 59.8bn (compared with PLN 60.1bn at the end of March 2020).

A 19.2% increase in revenue from fund management was accompanied by a 21.9% growth in operating expenses, which lowered slightly the segment's results, with the profit on core activities at PLN 2,515 thousand (versus PLN 2,796 thousand reported in the three months ended March 31st 2020) and a net profit of PLN 1,826 thousand (compared with net profit of PLN 2,331 thousand in the three months ended March 31st 2020).

IPOPEMA Business Consulting

For some of IPOPEMA Business Consulting's clients, the beginning of 2021 was still marked by the uncertainty related to the coronavirus pandemic. As a result, the consulting services segment recorded slightly lower revenue year on year, of PLN 6,256 thousand (versus PLN 6,386 thousand in the three months ended March 31st 2020). Nevertheless, with effective cost control (the costs fell by 5.1% year on year) the segment posted a profit on core activities of PLN 76 thousand and net profit of PLN 128 thousand (compared with profit on core activities of PLN 127 thousand and net profit loss PLN 29 thousand the year before).

29. Events subsequent to the end of reporting period

All events relating to the reporting period are disclosed in the accounting records and these interim condensed consolidated financial statements for the period January 1st–March 31st 2021.

The factor likely to exert the strongest adverse impact on the economy and the condition of the financial markets, and consequently on the IPOPEMA Group's business, in the remaining months of 2020 is the continuing coronavirus epidemic. Despite the signs of its easing off in recent weeks, the extent and duration of its economic impacts will depend largely on the progress of the population vaccination programmes as well as the size of new waves of the epidemic, if any, and the potential restrictions.

The unprecedented nature as well as the scale and complexity of the coronavirus situation, with no clearly adverse impact on the performance of the Group’s segments seen so far, make it difficult to estimate the effect of the epidemic on the operations of the Group in the months ahead. IPOPEMA takes steps to benefit from the recovery in some areas and industries, which has already contributed positively to revenues and profits in the past periods, but, due to the unprecedented nature of the pandemic, its long-term consequences for the economy are difficult to predict and subject to high uncertainty. Consequently, it is also difficult to reliably estimate its impact on the IPOPEMA Group's business.

Warsaw, May 13th 2021

Jacek Lewandowski President of the Management Board	Mariusz Piskorski Vice President of the Management Board	Stanisław Waczkowski Vice President of the Management Board	Mirosław Borys Vice President of the Management Board	Danuta Ciosek Chief Accountant