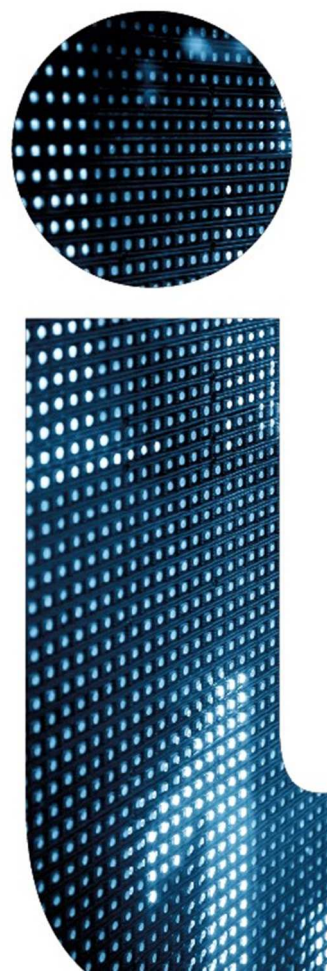


The IPOPEMA Securities Group

Interim condensed consolidated financial statements

for the three months
ended March 31st 2016

Warsaw, May 13th 2016



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Financial highlights

Financial highlights	PLN '000		EUR '000	
	3 months ended Mar 31		3 months ended Mar 31	
	2016	2015	2016	2015
Revenue from core activities	16,916	22,446	3,883	5,410
Cost of core activities	18,536	20,983	4,255	5,057
Profit/loss on core activities	-1,620	1,463	-372	353
Operating profit/loss	-1,518	1,137	-348	274
Profit/loss before tax	-1,879	913	-431	220
Net profit/loss on continuing operations	-2,181	128	-501	31
Net profit/loss	-2,181	128	-501	31
Earnings/loss per ordinary share (weighted average) (PLN/ EUR)				
- basic	-0.06	0.00	-0.01	0.00
- diluted	-0.06	0.00	-0.01	0.00
Net cash from operating activities	-98,648	-2,192	-22,647	-528
Total cash flows	-110,277	-2,544	-25,317	-613

Consolidated financial highlights	PLN '000		EUR '000	
	Mar 31 2016	Dec 31 2015	Mar 31 2016	Dec 31 2015
Total assets	367,803	353,310	86,169	82,907
Current liabilities	277,535	258,462	65,021	60,650
Equity	82,233	84,408	19,266	19,807
Number of shares	29,937,836	29,937,836	29,937,836	29,937,836
Book value per share (PLN/EUR)	2.75	2.82	0.64	0.66

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 a given period	Jan–Mar 2016	Jan–Mar 2015
EUR	4.3559	4.1489

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

Exchange rate as at	Mar 31 2016	Dec 31 2015	Mar 31 2015
EUR	4.2684	4.2615	4.0890

Interim condensed consolidated statement of comprehensive income

for the three months ended March 31st 2016

	Note	Jan 1 – Mar 31 2016	Jan 1 – Mar 31 2015
CONTINUING OPERATIONS			
Revenue from core activities, including:	15	16,916	22,446
Revenue from brokerage activities		7,426	9,244
Revenue from investment fund and asset management		7,666	10,050
Revenue from consultancy services		1,824	3,152
Cost of core activities	15	18,536	20,983
Profit/loss on core activities		-1,620	1,463
Gain (loss) on transactions in financial instruments held for trading		120	-345
Gain (loss) on transactions in financial instruments held to maturity		-	-
Gain (loss) on transactions in financial instruments available for sale		32	36
Other income		35	41
Other expenses		85	58
Operating profit/(loss)		-1,518	1,137
Finance income		393	500
Finance costs		754	724
Profit/(loss) before tax		-1,879	913
Income tax	16	302	785
Net profit/(loss) on continuing operations		-2,181	128
DISCONTINUED OPERATIONS			
Net profit/(loss) for period		-2,181	128
Attributable to:			
Owners of the parent		-1,857	125
Non-controlling interests		-324	3
Earnings (loss) per share (PLN)		-0.06	0.00
Diluted earnings (loss) per share (PLN)		-0.06	0.00
Other comprehensive income		6	9
Gains and losses on remeasurement of financial assets available for sale		8	11
Corporate income tax on items of other comprehensive income		-2	-2
Comprehensive income for period		-2,175	137
Attributable to:			
Owners of the parent		-1,851	134
Non-controlling interests		-324	3

Warsaw, May 13th 2016

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Member of the
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Danuta Ciosek
Chief Accountant

ipopema

Interim condensed consolidated statement of financial position

as at March 31st 2016

ASSETS	Note	Mar 31 2016	Dec 31 2015	Mar 31 2015
Cash and cash equivalents	12	38,480	148,949	47,993
Current receivables	12, 14	296,792	178,434	260,557
Current tax assets		217	209	1,262
Current prepayments and accrued income		1,291	1,147	1,586
Financial instruments held for trading		2,203	1,214	244
Financial instruments held to maturity		-	-	-
Financial instruments available for sale		11,686	11,764	8,886
Investments in jointly controlled entities and associates		-	-	-
Non-current receivables		7,774	1,367	2,353
Non-current loans advanced		-	1	277
Property, plant and equipment		5,261	5,553	4,573
Investment property		-	-	-
Intangible assets		2,915	3,156	2,640
Deferred tax assets		1,172	1,479	1,041
Non-current prepayments and accrued income		12	37	-
TOTAL ASSETS		367,803	353,310	331,412
EQUITY AND LIABILITIES	Note	Mar 31 2016	Dec 31 2015	Mar 31 2015
Current liabilities	14	277,535	258,462	244,341
Current tax liabilities		-	-	-
Other financial liabilities		-	-	-
Non-current liabilities		607	593	572
Deferred tax liabilities	16	129	133	233
Accruals and deferred income	14	7,299	9,714	5,383
Total liabilities		285,570	268,902	250,529
Share capital	13	2,994	2,994	2,994
Other capital reserves		13,681	13,675	13,602
Retained earnings		62,374	64,231	60,453
Total equity		79,049	80,900	77,049
Non-controlling interests		3,184	3,508	3,834
Total equity		82,233	84,408	80,883
TOTAL EQUITY AND LIABILITIES		367,803	353,310	331,412

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Interim condensed consolidated statement of cash flows

for the three months ended March 31st 2016

CASH FLOWS	Note	Jan 1 – Mar 31 2016	Jan 1 – Mar 31 2015
Cash flows from operating activities			
Profit before tax		-1,879	913
Total adjustments:	26	-96,769	-3,105
Depreciation and amortisation expenses		676	597
Foreign exchange gains/(losses)		176	393
Interest and dividends		273	171
Gain (loss) on investing activities		-32	-136
Change in financial instruments held for trading		-989	-15
Change in financial instruments available for sale		-	1,219
Change in receivables		-111,959	-9,516
Change in current liabilities (net of borrowings)		17,557	7,154
Change in provisions and impairment losses on receivables		35	1
Change in accruals and deferrals		-2,512	-2,477
Income tax paid		-,8	-519
Other adjustments (including the cost of incentive schemes)		14	23
Net cash from operating activities		-98,648	-2,192
Cash flows from investing activities			
Increase in loans advanced		-	-
Decrease in loans advanced		60	38
Acquisition of property, plant and equipment and intangible assets		-71	-270
Disposal of property, plant and equipment		-	1
Cash provided by financial instruments available for sale and held to maturity		50	7,060
Acquisition of financial instruments available for sale and held to maturity		-	-7,268
Interest received		70	94
Other cash used in investing activities		-12,805	-1,000
Net cash from investing activities		-12,696	-1,345
Cash flows from financing activities			
Proceeds from borrowings		1,431	1,235
Proceeds from issue of debt securities		-	2
Repayment of debt securities		-3	-3
Interest paid		-294	-177
Repayment of finance lease liabilities		-67	-64
Net cash from financing activities		1,067	933
Total cash flows		-110,277	-2,544

Net increase (decrease) in cash and cash equivalents		-110,454	-2,715
Effect of exchange rate fluctuations on cash held		-177	-171
Cash at beginning of period	26	148,802	50,707
Cash at end of period, including	26	38,525	48,163
<i>restricted cash</i>		<i>9,456</i>	<i>17,517</i>

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Interim condensed consolidated statement of changes in equity

for the three months ended March 31st 2016

	Equity attributable to owners of the parent					Non-controlling interests	Total equity
	Share capital	Other components of equity			Retained earnings		
		Share premium	Revaluation capital reserve	Other capital reserves			
as at Jan 1 2016	2,994	10,351	110	3,214	64,231	3,508	84,408
Profit for period	-	-	-	-	-1,857	-324	-2,181
Other comprehensive income	-	-	6	-	-	-	6
Dividend payment	-	-	-	-	-	-	-
as at Mar 31 2016	2,994	10,351	116	3,214	62,374	3,184	82,233
as at Jan 1 2015	2,994	10,351	53	3,166	60,328	3,831	80,723
Profit for 2015	-	-	-	-	3,903	77	3980
Costs of incentive scheme	-	-	-	48	-	-	48
Other comprehensive income	-	-	57	-	-	-	57
Dividend payment	-	-	-	-	-	-400	-400
as at Dec 31 2015	2,994	10,351	110	3,214	64,231	3,508	84,408
as at Jan 1 2015	2,994	10,351	53	3,166	60,328	3,831	80,723
Profit for period	-	-	-	-	125	3	128
Costs of incentive scheme	-	-	-	23	-	-	23
Other comprehensive income	-	-	9	-	-	-	9
Dividend payment	-	-	-	-	-	-	-
as at Mar 31 2015	2,994	10,351	62	3,189	60,453	3,834	80,883

Warsaw, May 13th 2016

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Notes

1. The IPOPEMA Securities Group

The IPOPEMA Securities Group (the 'IPOPEMA Securities Group' or the 'Group') comprises entities controlled by IPOPEMA Securities S.A. (the 'Parent' or 'Company').

The Parent's registered office is at ul. Próżna 9, Warsaw, Poland.

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

As at March 31st 2016, the IPOPEMA Securities Group comprised IPOPEMA Securities S.A. and its subsidiaries (the subsidiaries are presented in Note 2).

The Group's principal business activities are:

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

IPOPEMA Securities S.A. – the Parent

The Parent was established (under the name of Dom Maklerski IPOPEMA S.A.) on March 2nd 2005 for indefinite time.

The Parent is entered in the Register of Entrepreneurs at 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. conducts brokerage activities in accordance with relevant brokerage licences granted by the Polish Financial Supervision Authority (formerly the Polish Securities and Exchange Commission).

The name of the Company was changed from Dom Maklerski IPOPEMA S.A. to IPOPEMA Securities Spółka Akcyjna under Resolution No. 5 of the Extraordinary General Meeting held on August 10th 2006.

As part of its brokerage business IPOPEMA Securities S.A. provides comprehensive services for institutional clients in the area of intermediation in securities trading on the secondary market. The Company's partners are both high-profile international financial institutions and the majority of leading Polish institutional investors, including open-end pension funds, investment fund companies, asset managers and insurers.

The Company's investment banking offering includes comprehensive assistance in the preparation and execution of transactions on the capital market, involving the use of equity instruments (shares), debt instruments (corporate bonds), and hybrid solutions (convertible bonds). In particular, the Company focuses on public offerings of securities (especially shares), in which it acts as the coordinator, offering broker or financial adviser; M&A transactions and management buy-outs; and advisory mandates concerning the raising of financing on the private market, including from *private equity* funds and through *pre-IPO* placements. The Company also provides advisory services related to corporate financial restructuring.

2. Composition of the Group

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

As at March 31st 2016, the Group comprised IPOPEMA Securities S.A. and the following subsidiaries:

Name of subsidiary	Business profile	Consolidation method	Share capital held	Total vote held
IPOPEMA Towarzystwo Funduszy Inwestycyjnych S.A.	<ul style="list-style-type: none"> - operation of investment fund companies, as well as creation and management of investment funds - discretionary management of securities portfolios - advisory services in the area of securities trading - intermediation in the sale and redemption of investment fund units - representation service for foreign funds - management of portfolios of broker-traded financial instruments 	full	100%	100%
IPOPEMA Business Consulting Sp. z o.o.	<ul style="list-style-type: none"> - other business and management consultancy services - computer facilities management activities - computer consultancy services - software-related activities - wholesale of computers, computer peripherals and software 	full	50.02%	50.02%

<i>indirect subsidiary (through IPOPEMA Business Consulting Sp. z o.o., the sole shareholder of the company)</i>				
IPOPEMA Outsourcing Sp. z o.o.	- support to IPOPEMA Business Consulting Sp. z o.o.	not consolidated (immaterial financial data)	wholly-owned by IBC *	
IPOPEMA Business Services Kft. **	- office and business support	not consolidated (immaterial financial data)	100%	100%
IPOPEMA Business Services Srl ***	- office and business support	not consolidated (immaterial financial data)	95% IPOPEMA, 5% IBS Kft (since April 1st 2016, the Company has held 100% of shares)	100%

* In May 2016, the Company acquired all shares in IPOPEMA Outsourcing Sp. z o.o. from IBC.

** Given changes to the model of operating in foreign markets, the process of winding up IBS Kft was concluded in 2016. On April 1st 2016, IBS Kft was deleted from the court register.

*** Given changes to the model of operating in foreign markets, the process of winding up IBS Srl began in 2016.

3. Basis of preparation

3.1 Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 and the IFRS applicable to interim financial reporting, 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 2016 and contain comparative data for the three months ended March 31st 2015 and as at December 31st 2015.

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 2015.

3.2 Measurement currency and reporting currency of the financial statements

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

3.3 Going-concern assumption

These interim condensed consolidated financial statements have been prepared on the assumption that Group companies would continue as going concerns in the foreseeable future. As at the date of approval of these financial statements, there are 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 2016.

4. Changes in applied accounting policies

In Q1 2016, there were no changes in the accounting policies compared with the policies applied in the consolidated financial statements for 2015, issued on March 18th 2016. The consolidated financial statements for 2015 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

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

Financial assets

- financial assets at fair value through profit or loss (including financial instruments held for trading),
- loans and receivables,
- financial instruments held to maturity,
- financial instruments available for sale.

Financial liabilities

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

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

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

A financial asset is designated as held for trading if it is acquired principally for the purpose of selling it in the near term, if it is part of a portfolio for which there is a pattern of short-term profit-taking, or if it is a derivative with positive fair value.

The Group designates a financial asset/liability as measured at fair value through profit or loss if:

- an asset/liability qualifies as held for trading (i.e. it has been acquired or assumed principally for the purpose of selling or repurchasing it in the near term, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking, or it is a derivative (other than a derivative which has been designated as, or is, an effective hedging instrument),
- it was designated as measured at fair value through profit or loss on initial recognition.

As far as the Group is concerned, this category includes primarily equity instruments acquired for resale in the near term, such as shares listed on the Warsaw Stock Exchange (WSE) and the Budapest Stock Exchange (BSE). The Group does not apply hedge accounting.

Financial liabilities other than held for trading may be designated by the Group upon initial recognition as financial liabilities measured at fair value through profit or loss if:

- the designation will eliminate or significantly reduce a measurement or recognition inconsistency; or
- a group of financial assets or liabilities or both is managed and its performance is measured on a fair value basis in accordance with a documented risk management or investment strategy applied by the Group, whereunder information regarding asset grouping is exchanged internally; or
- they constitute part of a contract with one or more embedded derivatives, and IAS 39 permits that the entire contract (an asset or a liability) be designated at fair value through profit or loss.

Financial instruments and financial liabilities acquired in transactions on the regulated market are recognised as at the transaction date at cost, i.e. at the fair value of expenses incurred or other assets transferred in return, whereas financial liabilities are first recognised in the accounting books at the contract date at the fair value of the amount or other assets received.

Financial instruments held for trading are measured at fair value as at each reporting date, and any resultant gains or losses are disclosed under revenue or costs related to financial instruments held for trading.

Financial instruments held for trading comprise shares listed on the Warsaw and Budapest Stock Exchanges. For the purpose of the measurement, the Group takes into account closing prices quoted by the Warsaw Stock Exchange ('WSE') and Budapest Stock Exchange ('BSE') on the last business day of the reporting period.

Financial instruments held to maturity

Financial instruments held to maturity are investments with fixed or determinable payments and fixed maturities that the Group intends and is able to hold to maturity.

As at the end of each reporting period, financial assets held to maturity are measured at amortised cost with the effective interest rate.

As at the end of the reporting period and the comparative period, the Group did not have any financial instruments held to maturity.

Loans and receivables

Trade receivables, loans and other receivables with fixed or negotiable payment terms, not traded on an active market, are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest rate method, less impairment losses. Interest income is recognised at the effective interest rate, save for current receivables where recognition of interest income would be immaterial. Non-interest bearing current receivables are measured at amounts receivable, subject to the prudent valuation principle. Current receivables include mainly trade receivables, bank deposits and other cash, as well as loans and acquired unlisted debt instruments not classified into other categories. Loans advanced to IPOPEMA Securities' employees and business partners are classified under 'Loans advanced'.

Financial instruments available for sale

Financial instruments available for sale are those non-derivative financial instruments which are designated as available for sale or are not classified into any of the other categories.

Financial assets available for sale include mainly investment certificates, investment fund units, and government bonds acquired in order to invest cash surplus, other than investment certificates which have been designated as financial assets at fair value through profit or loss since the Group intends to sell them in the near term.

Financial instruments available for sale are classified as non-current assets if they are not intended for sale within a year from the end of the reporting period; otherwise, they are classified as current assets. As at the end of each reporting period, financial instruments available for sale are measured at fair value, and any resultant gains or losses (other than impairment losses) are recognised under other comprehensive income. In the case of bonds, the gain or loss to be recognised under other comprehensive income comprises the difference between the measurement-date fair value of the assets less interest accrued up until that date at the contractual interest rate, and the value of the assets at adjusted cost.

Acquisition and sale of financial instruments available for sale are recognised as at the transaction date. On initial recognition, they are measured at fair value, including the transaction costs.

Shares in non-consolidated subsidiaries are measured at cost less impairment losses. Investment certificates and investment fund units are recognised at fair value, based on the net asset value per certificate as published by the investment fund in consultation with the depositary. Remeasurement gains and losses are posted under 'Other comprehensive income'.

Financial liabilities measured at amortised cost

Other financial liabilities, including borrowings, are initially measured at fair value less transaction costs and then at amortised cost (interest expense is measured using the effective cost method). The effective interest rate 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 effectively discounts estimated future cash payments over the expected life of a given liability or, when appropriate, a shorter period.

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

Current receivables

Current receivables include all receivables from clients, non-consolidated related entities, banks conducting brokerage activities, other brokerage houses and commodity brokerage houses under executed transactions, as well as all or part of receivables related to other items, which are not classified as financial assets, in each case maturing within 12 months from the end of the reporting period.

Receivables are initially recognised at nominal value and measured as at the end of the reporting period at amounts receivable. Receivables are remeasured to account for the probability of their payment and impairment losses are recognised where necessary. The Group recognises impairment losses if there is objective evidence that it will not be able to recover all the amounts due in line with the original contractual terms.

Impairment losses are recognised in particular for:

- receivables past due by 6 months to 1 year – impairment loss of 50% of the receivables amount is recognised,
- receivables past due by more than 1 year – impairment loss of 100% of the receivables amount is recognised.

Apart from the above general rule, the Group may also recognise impairment losses on an individual basis, when it believes that there is considerable risk that the full amount of a receivable may not be recovered. Such impairment losses were recognised on loans and trade receivables.

Impairment losses on receivables are recognised under other expenses. The cost connected with recognition of impairment losses at the time of confirming that particular receivables are uncollectible is a tax-deductible expense; otherwise, such cost is not tax-deductible. Impairment losses on receivables are reversed if the impairment decreases in subsequent periods and the increase in the value of the receivables may be attributed to events that occurred after the impairment loss was recognised. Reversed impairment losses are recognised under other income.

Current receivables from clients, current 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.

Current receivables from clients, current 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 arise in connection with securities purchases and sales which have not yet been cleared at the clearing houses due to the transaction settlement procedure (T+2). In the case of purchase transactions on stock exchanges made to execute orders placed by clients whose accounts are kept by custodian banks, the Company recognises current liabilities towards banks conducting brokerage activities, other brokerage houses and commodity brokerage houses (parties to the market transactions)* and current receivables from the clients for whom the purchase transactions were 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 current 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.*

Non-current receivables

Non-current receivables are receivables whose terms to maturity are longer than 12 months from the end of the reporting period.

Impairment losses

As at the end of each reporting period the Group evaluates whether there is any indication that an 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 indication of possible impairment of an asset may be identified:

- 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 technological, market, economic or legal changes, unfavourable for the Group, 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 value in use of the asset and decrease its recoverable amount,
- the carrying amount of the Group's net assets is higher than their market capitalisation value,
- evidence exists for impairment of usefulness of an asset or physical damage to an asset,
- significant changes, unfavourable for the Group, in the current or expected scope or manner of use of an asset have occurred during the 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 amounts payable.

Current liabilities include all liabilities to clients, 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 and exchange clearing houses, and liabilities to entities operating regulated securities markets, as well as all other liabilities not classified as non-current liabilities, accruals and deferred income or provisions for liabilities.

Current liabilities also include overdrafts whose measurement is discussed above in 'Financial liabilities at amortised cost'.

Current liabilities under executed transactions are presented above in 'Current receivables from clients, current 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'.

Non-current liabilities

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

6. Accounting policies introduced in Q1 2016

Standards and interpretations which have been issued and are effective for annual periods beginning on or after January 1st 2016:

- Amendments to IAS 1 'Disclosures' – effective for annual periods beginning on or after January 1st 2016;
- Amendments to IAS 16 and IAS 38 – effective for annual periods beginning on or after January 1st 2016; Amendments to IAS 16 and IAS 38 introduced the rule related to 'consumption of the economic benefits' with respect to recognition of depreciation and amortisation. The IASB has clarified that revenue-based methods should not be used to calculate depreciation or amortisation;
- Amendments to IAS 19 'Employee Benefits' – effective for annual periods beginning on or after February 1st 2015;
- Amendments to IAS 27: 'Equity Method in Separate Financial Statements' – effective for annual periods beginning on or after January 1st 2016. The amendment permits the use of the equity method as one of optional methods of accounting for investments in subsidiaries, associates and jointly-controlled entities in separate financial statements;
- Amendments to IFRS 11 'Joint Arrangements' – effective for annual periods beginning on or after January 1st 2016; The amendments introduce new requirements concerning disclosure of acquisition of an interest in a joint operation and provides guidance on how to account for such acquisition;
- Annual Improvements to IFRSs cycle 2010–2012 – effective for annual periods beginning on or after February 1st 2015. They concern IFRS 2: Definition of 'vesting conditions', IFRS 3: Accounting for contingent consideration in a business combination, IFRS 8: Aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets, IFRS 13: Short-term receivables and payables, IAS 7: Interest paid that is capitalised, IAS 16/IAS 38: Revaluation method – proportionate restatement of accumulated depreciation, IAS 24: Key management personnel;
- Amendments to various standards made as part of an annual IFRS improvement cycle: Annual Improvements 2012–2014 – effective for annual periods beginning on or after January 1st 2016. They concern IFRS 5 Change of disposal method, IFRS 7 Servicing contracts, IAS 19 Discount rate: regional market issue, IAS 34 Disclosure of information 'elsewhere in the interim financial report'.

The Group believes that the above standards and interpretations did not have a material effect on its financial statements when first adopted.

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

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

- IFRS 9 'Financial Instruments' – published by the International Accounting Standards Board on July 24th 2014; the standard's final version supersedes previous versions of IFRS 9, completing the Board's project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. The new standard regulates classification and measurement of financial assets and liabilities, as well as impairment and hedge accounting. IFRS 9 does not include guidelines on hedge accounting of portfolios of financial assets and liabilities, since these matters are covered by a separate project of the International Accounting Standards Board. The standard is effective for annual periods beginning on or after January 1st 2018;
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – effective for annual periods beginning on or after January 1st 2016. The amendments clarify the manner of accounting for a transaction in which a parent loses control over its subsidiary that does not constitute a business as defined in IFRS 3 'Business Combinations' through a sale or contribution of all or a part of shares in that subsidiary to an equity-accounted associate or joint venture. This date was tentatively postponed by the International Accounting Standards Board;
- IFRS 14 'Regulatory Deferral Accounts' – published by the International Accounting Standards Board on January 30th 2014, effective for annual periods beginning on or after January 1st 2016. The standard permits an entity which is a first-time adopter of IFRS to continue to account for rate-regulated activities in accordance with its previous accounting policies. To ensure better comparability with entities which already use IFRS and do not account for such activities, in accordance with the published IFRS 14,

amounts from rate-regulated activities should be presented as a separate item in the statement of financial position, statement of profit or loss, and statement of other comprehensive income;

- IFRS 15 'Revenue from Contracts with Customers' – published by the International Accounting Standards Board on May 28th 2014, effective for annual periods beginning on or after January 1st 2018;
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – published by the International Accounting Standards Board on January 19th 2016 and effective for annual periods beginning on or after January 1st 2017;
- Amendments to IAS 7 Disclosure Initiative – published by the International Accounting Standards Board on January 29th 2016 and effective for annual periods beginning on or after January 1st 2017;
- IFRS 16 'Leases' – published by the International Accounting Standards Board on January 13th 2016, effective for annual periods beginning on or after January 1st 2019.

The Group believes that the other standards and interpretations will not have any material effect on its financial statements when first adopted.

8. Changes in estimates

In the first three months of 2016, there were no changes to estimates, except changes in accruals 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 zloty 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-exchange 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 where the application of the exchange rate referred to 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 zloty are translated into the zloty at the mid-exchange rate quoted by the NBP for a given currency, in effect at the end of the reporting period. Currency translation differences are recognised in finance income or costs, as appropriate.

The following exchange rates were applied for the purposes of balance-sheet valuation:

Currency	Mar 31 2016	Dec 31 2015	Mar 31 2015
USD	3.7590	3.9011	3.8125
EUR	4.2684	4.2615	4.0890
HUF 100	1.3586	1.3601	1.3667
RON	0.9538	0.9421	0.9277
GBP	5.4078	5.7862	5.6295
UAH	0.1436	0.1622	0.1623
CZK	0.1578	0.1577	0.1486
CHF	3.9040	3.9394	3.9110
TRY	1.3284	1.3330	1.4571
JPY 100	3.3463	3.2711	3.1744
NOK	0.4532	0.4431	0.4701
CAD	2.9007	2.8102	2.9915
SEK	0.4624	0.4646	0.4410
DKK	0.5729	0.5711	0.5474
INR 100	5.6814	5.8962	6.0948

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. In the Company's case, these are Series C shares which may be issued within the limit of conditional share capital in connection with the incentive scheme adopted at the Company, to the extent it is implemented. To date, 1,880,952 shares have been allocated to be subscribed for by the eligible persons after certain criteria are met.

Given no dilutive shares, the values of basic earnings per share and diluted earnings per share in the periods covered by these condensed consolidated financial statements were the same.

	Jan 1 – Mar 31 2016	Jan 1 – Mar 31 2015
Number of shares	29,937,836	29,937,836
Weighted average number of shares	29,937,836	29,937,836
Diluted number of shares	29,937,836	29,937,836
Net earnings from continuing operations for period per share		
- basic	-0.06	0.00
- diluted	-0.06	0.00

11. Operating segments

For management purposes, the Group is divided into separate segments, based on types of services rendered. The following reporting operating segments have been identified:

1. **The segment of brokerage and related services**, comprising IPOPEMA Securities' business, i.e. brokerage and investment banking activities, which focus on public offerings of securities (particularly equities) – where the Company acts as the coordinator, offering broker and financial adviser – issue of debt instruments, M&A transactions and management buy-outs, as well as advisory mandates concerning the raising of financing on the private market, including from *private equity* funds and through *pre-IPO placements*. The segment also includes advisory services related to corporate financial restructuring.
2. **The segment of investment fund and portfolio management**, comprising the business of IPOPEMA TFI, a company focused on the creation and management of investment funds as well as management of portfolios of broker-traded financial instruments.
3. **The segment of consultancy services**, comprising services of IPOPEMA Business Consulting, which focuses on business and management consultancy, computer facilities management, computer consultancy and software-related activities.

Operating segments	Three months ended March 31st 2016			
	Continuing operations			Total
	Brokerage and related services	Investment fund and portfolio management	Consultancy services	
Revenue				
Segment's total revenue	7,426	7,666	1,868	16,960
Intersegment sales	-	-	-44	-44
Sales to external clients	7,426	7,666	1,824	16,916
Segment's costs				
Segment's costs – purchases from external suppliers	-8,772	-7,291	-2,528	-18,591
Segment's costs – intersegment purchases	-	-	-	-
Consolidation eliminations	29	26	-	55
Segment's total costs	-8,743	-7,265	-2,528	-18,536
Segment's profit/(loss) on core activities	-1,317	401	-704	-1,620
Unallocated costs	-	-	-	-
Profit on continuing operations before tax and finance costs	-1,317	401	-704	-1,620
Interest income	61	31	4	96
Interest expenses	-317	-8	-	-325
Other finance income/cost, net	-85	101	4	20
Other income/expenses	-30	-9	-	-39
Consolidation eliminations	-11	-	-	-11
Profit before tax and non-controlling interests	-1,699	516	-696	-1,879
Income tax	200	106	-4	302
Consolidation eliminations	-	-	-	-
Total corporate income tax	200	106	-4	302
Net profit for period	-1,899	410	-692	-2,181
Assets and liabilities as at Mar 31 2016				
Segment's assets	331,627	28,962	7,214	367,803
Unallocated assets	-	-	-	-
Total assets	331,627	28,962	7,214	367,803
Segment's liabilities	274,537	2,857	876	278,270
Accruals and deferred income	4,009	3,291	-	7,300
Segment's net profit/(loss)	-1,899	410	-692	-2,181
Equity (net of profit/loss for current period)	56,447	21,636	2,823	80,906
Non-controlling interests (net of profit/loss for current period)	-	-	3,508	3,508
Total equity and liabilities	333,094	28,194	6,515	367,803

Operating segments	Three months ended March 31st 2015			
	Continuing operations			Total
	Brokerage and related services	Investment fund and portfolio management	Consultancy services	
Revenue				
Segment's total revenue	9,244	10,633	3,152	23,029
Intersegment sales	-	-583	-	-583
Sales to external clients	9,244	10,050	3,152	22,446
Segment's costs				
Segment's costs – purchases from external suppliers	-9,631	-8,977	-2,983	-21,591
Segment's costs – intersegment purchases	-	-	-	-
Consolidation eliminations	-	608	-	608
Segment's total costs	-9,631	-8,369	-2,983	-20,983
Segment's profit/(loss) on core activities	-387	1,681	169	1,463
Unallocated costs	-	-	-	-
Profit on continuing operations before tax and finance costs	-387	1,681	169	1,463
Interest income	67	56	5	128
Interest expenses	-217	-7	-	-224
Other finance income/cost, net	-405	1	-34	-438
Other income/expenses	10	-2	-	8
Consolidation eliminations	-21	-3	-	-24
Profit before tax and non-controlling interests	-953	1,726	140	913
Income tax	284	372	133	789
Consolidation eliminations	-	-4	-	-4
Total corporate income tax	284	368	133	785
Net profit for period	-1,237	1,358	7	128
<i>Net profit for period, excluding costs of the incentive scheme</i>	<i>-1,214</i>	<i>1,358</i>	<i>7</i>	<i>151</i>
Assets and liabilities as at Dec 31 2015				
Segment's assets	314,512	30,814	7,984	353,310
Unallocated assets	-	-	-	-
Total assets	314,512	30,814	7,984	353,310
Segment's liabilities	254,353	3,829	1,006	259,188
Accruals and deferred income	5,168	4,546	-	9,714
Segment's net profit/(loss)	2,032	1,907	41	3,980
Equity (net of profit/loss for current period)	54,412	19,726	2,859	76,997
Non-controlling interests (net of profit/loss for current period)	-	-	3,431	3,431
Total equity and liabilities	315,965	30,008	7,337	353,310

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

Cash and cash equivalents

Cash and other assets	Mar 31 2016	Dec 31 2015
Cash and other assets of the Group		
a) at banks and in hand	17,718	28,425
b) other	20,762	120,524
Total	38,480	148,949
Cash and other assets:		
a) cash and other assets of the Group	29,024	44,644
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	9,456	104,305
c) cash and other assets transferred from the settlement guarantee fund	-	-
Total	38,480	148,949

Free cash is deposited in bank accounts and invested in term and overnight deposits. Short-term deposits are placed for various periods, ranging from one day to several months, depending on the Group's cash requirements 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 'Other cash equivalents'.

Clients' cash deposited in the Parent's bank account, in the amount of PLN 9,456 thousand as at March 31st 2016 and PLN 104,305 thousand as at December 31st 2015, is also disclosed under other cash.

Receivables

Current receivables	Mar 31 2016	Mar 31 2015
From clients / trade receivables	105,272	73,138
- under transactions executed on the Warsaw Stock Exchange	71,508	62,910
- under transactions executed on the Budapest Stock Exchange	21,496	602
- under transactions executed on the Prague Stock Exchange	2,404	-
- under transactions executed on the Istanbul Stock Exchange	2,059	-
- under transactions executed on the New York Stock Exchange	-	110
- under transactions executed on the Paris Stock Exchange	333	-
- under transactions executed on the Vienna Stock Exchange	-	795
- under transactions executed on the Frankfurt Stock Exchange	-	220
- other	7,472	8,501
From related entities	25	18
From banks conducting brokerage activities, other brokerage houses and commodity brokerage houses*	143,359	64,558
- under transactions executed on the Warsaw Stock Exchange*	108,801	56,568
- under transactions executed on the Budapest Stock Exchange	15,038	4,027
- under transactions executed on the Milan Stock Exchange	10,813	-
- under transactions executed on the London Stock Exchange	1,654	-
- under transactions executed on the New York Stock Exchange	1,957	-
- under transactions executed on the Prague Stock Exchange	1,883	3,467
- under transactions executed on the Zurich Stock Exchange	13	-
- other	3,200	496
From the Central Securities Depository of Poland and exchange clearing houses	29,672	24,133
- from the settlement guarantee fund	29,558	24,014
- other	114	119
From investment and pension fund companies and from investment and pension funds	3,732	3,634

From issuers of securities or selling shareholders	-	2,332
Taxes, subsidies and social security receivable	318	119
Other	14,414	10,502
Total current receivables	296,792	178,434

* In accordance with Art. 45h of the amended Act on Trading in Financial Instruments, current receivables from 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 KDPW CCP (the agent clearing the transactions which has assumed the rights and obligations of the parties to the transactions).

Current receivables and liabilities are recognised predominantly in connection with the executed buy and sell transactions in securities, not yet settled at clearing houses.

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

Financial assets

In Q1 2016 and in the comparative period, the policies regarding measurement of financial assets at fair value and classification of financial asset did not change.

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

In Q1 2016, the Group did not recognise any impairment losses on financial assets, property, plant and equipment, intangible assets or other assets, nor did it 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 Q1 2016, the Group acquired property, plant and equipment and intangible assets for PLN 1,483 thousand (Q1 2015: PLN 270 thousand).

Material purchase or sale transactions in property, plant and equipment

In Q1 2016 and 2015, the Group did not purchase or sell any material items of property, plant and equipment.

Material liabilities under purchase 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 2016, the Company's share capital was PLN 2,993,783.60 (no change on December 31st 2015).

It was divided into 7,000,000 Series A ordinary bearer shares, 21,571,410 Series B ordinary bearer shares, and 1,366,426 Series C ordinary bearer shares.

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

Change in accruals and deferred income

	Jan 1 – Mar 31 2016	Jan 1 – Mar 31 2015	2015
As at beginning of reporting period	9,714	7,625	7,625
Provisions recognised in period	2,261	3,199	17,456
Used	4,676	5,441	15,309
Reversed	-	-	58
As at end of reporting period	7,299	5,383	9,714

Impairment losses on receivables

In Q1 2016, impairment losses on receivables fell by PLN 35 thousand, following reversal or use of impairment losses (Q1 2015: increase by PLN 1 thousand).

Liabilities (current)

Current liabilities	Mar 31 2016	Dec 31 2015
To clients	144,441	168,415
To related entities	-	-
To banks conducting brokerage activities, other brokerage houses and commodity brokerage houses*	110,105	68,947
- to the Warsaw Stock Exchange *	83,780	67,216
- to the Budapest Stock Exchange	21,530	602
- to the Prague Stock Exchange	2,404	-
- to the New York Stock Exchange	-	109
- to the Vienna Stock Exchange	-	795
- to the Frankfurt Stock Exchange	-	219
- to the Istanbul Stock Exchange	2,058	-
- to the Paris Stock Exchange	333	-
- other	-	-
To entities operating regulated markets and commodity exchanges	555	563
- to the Warsaw Stock Exchange	479	488
- to the Budapest Stock Exchange	26	44
- to the Prague Stock Exchange	4	21
- to the Vienna Stock Exchange	42	-
- to the Bucharest Stock Exchange	-	6
- to the Chicago Mercantile Exchange	4	4
To the Central Securities Depository of Poland and exchange clearing houses	1,135	844
Borrowings	16,569	15,138
- from related entities	-	-
- other	16,569	15,138
Debt securities	4	6
Taxes, customs duties and social security payable	1,692	818
Salaries and wages	7	-
To investment and pension fund companies and to investment and pension funds	999	1,969
Other	2,028	1,762
a) dividends payable	-	-
b) other	2,028	1,762
- financial liabilities (lease)	188	186
- other liabilities	1,840	1,576
Total current liabilities	277,535	258,462

* 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 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, the liabilities do not bear interest.

Interest-bearing borrowings

Current liabilities under borrowings	Mar 31 2016	Mar 31 2015
Credit facility	16,569	15,138
- outstanding amount	16,569	15,138
Current liabilities under borrowings	16,569	15,138

As at March 31st 2016, the Group had liabilities of PLN 16,569 thousand due to facilities associated with brokerage activities (December 31st 2015: PLN 15,138 thousand) under:

1. two working capital overdraft facility (lines of credit) agreements executed on July 22nd 2009 with Alior Bank S.A. The facilities are used to finance payment of liabilities to the Central Securities Depository of Poland in connection with the brokerage activities and are renewed on an annual basis – their current term expires on September 15th 2016:
 - i. Revolving credit facility of up to PLN 10m. The purpose of the facility is to finance payment of the Company's liabilities to the Central Securities Depository of Poland in respect of the 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, and a PLN 4m security deposit placed in a term deposit account as joint collateral securing also the credit facility specified in item ii.
 - ii. Revolving credit facility of up to PLN 30m. The purpose of the facility is to finance the payment of the Company's liabilities resulting from its membership in the Stock-Exchange Transactions Settlement Guarantee Fund operated by the Central Securities Depository of Poland. The facility is secured with a blank promissory note with a promissory note declaration and a power of attorney over accounts held with the bank. As stated in item i above, both credit facilities are jointly secured by a PLN 4m security deposit.
2. current account overdraft facility of EUR 1.5m from Raiffeisen Bank ZRT, used to settle stock exchange transactions on the Budapest Stock Exchange in connection with brokerage activities. The facility expires on March 16th 2017. The facility is secured by a EUR 1.5m security deposit.

Bonds

In 2016, by the date of issue of these financial statements, the Company issued registered bonds with a total par value of PLN 1.9 thousand (there were no new issues in Q1 2016), with various series maturing in 2016–2018 (value of issues in Q1 2015: PLN 2 thousand). The total amount of liabilities payable by the Company on redemption of the bonds will not exceed the bonds' par value and is not significant to the Company. The bond issues are related to the Variable Component Remuneration Policy implemented at the Company pursuant to the Minister of Finance's Regulation on the rules for establishment of a variable component remuneration policy for persons holding management positions at brokerage houses, dated December 2nd 2011. For more details, see the updated version of the document entitled 'Disclosure of information on IPOPEMA Securities S.A.'s capital adequacy', available on the Company's website.

In 2016, by the date of issue of these condensed financial statements, the Company redeemed PLN 4.5 thousand worth of bonds (including PLN 3.3 thousand in Q1 2016), compared with PLN 3 thousand worth of bonds redeemed in Q1 2015.

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 2016	Jan 1–Mar 31 2015
Revenue from trading in securities	5,620	7,563
Revenue from investment banking services	1,775	1,672
Revenue from management of investment funds and clients' assets	7,666	10,050
Revenue from consultancy services	1,824	3,152
Other revenue from core activities	31	9
Total revenue from core activities	16,916	22,446

Operating expenses

Cost of core activities	Jan 1 – Mar 31 2016	Jan 1 – Mar 31 2015
Affiliation costs	-	-
Fees payable to regulated markets, commodity exchanges, the Central Securities Depository of Poland and exchange clearing houses	1,660	2,295
Salaries and wages	8,383	8,415
Social security and other benefits	1,028	987
Employee benefits	124	115
Raw material and consumables used	152	179
Costs of maintenance and lease of buildings	720	1,020
Depreciation and amortisation expenses	676	597
Taxes and other public charges	366	470
Other costs, including:	5,427	6,905
- fund management and distribution costs	2,484	3,673
- transaction costs other than cost of clearance through clearing houses or stock exchanges	442	328
- ICT and information services	967	947
- marketing, representation and advertising	245	329
- software purchases (for recharge)	31	99
- other services	1,258	1,529
Total cost of core activities	18,536	20,983

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 2016	Jan 1 – Mar 31 2015
Profit before tax	-1,879	913
Tax calculated at 19% rate	- 357	173
Taxable income/deductible expenses for which no deferred tax assets were recognised – total consolidation adjustments	-	- 80
Tax losses for which no deferred tax assets were recognised – other	3,202	2,717
Tax loss carryforwards for which no deferred tax assets were recognised	-	-
Use of unrecognised tax losses	-	-
Non-deductible expenses	291	650
Deductible/taxable temporary differences for which no deferred tax assets/liabilities were recognised	-7	-11
Non-taxable income	-19	-57
Tax base for current and deferred income tax	1,588	4,132
Reductions, exemptions	-	-
Income tax expense	302	785

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 Group companies.

Deferred tax

Deferred tax liabilities decreased by PLN 4 thousand in Q1 2016. In Q1 2015 they went up by 133 thousand. Deferred tax assets went down by PLN 307 thousand in Q1 2016. In Q1 2015, they fell by PLN 374 thousand.

17. Employee benefits – employee share option plans

No eligible persons subscribed for any shares under the Company's incentive scheme in Q1 2016 or in the comparative period.

On a consolidated basis, the cost of incentive schemes increased the cost of salaries and wages in Q1 2015 by PLN 23 thousand (Q1 2016: no cost). The amount was charged against the profit of the operating segment of IPOPEMA Securities S.A.

The share option plan under which the above cost of salaries and wages was recognised was measured using the binomial tree model.

18. Dividends paid and proposed

On April 29th 2016, the General Meeting of IPOPEMA TFI S.A. resolved to pay dividend of PLN 1,470 thousand, i.e. PLN 0.42 per share. As at the date of these financial statements, the dividend was paid in full to the Company.

On June 19th 2015, the General Meeting of IPOPEMA Asset Management S.A. resolved to pay dividend for 2014 of PLN 1m, i.e. approximately PLN 17.85 per share. The dividend was paid out to the Company in full.

On June 30th 2015, the General Meeting of IPOPEMA Business Consulting Sp. z o.o. resolved to pay dividend for 2014 of PLN 800 thousand, i.e. approximately PLN 400 per share. The full amount of the dividend was paid out.

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

Group companies issued no equity securities in Q1 2016 or 2015.

The Company did however issue bonds in those periods, as discussed in detail in Note 14.

20. Exclusions of companies from consolidation

In these condensed consolidated financial statements (in line with IAS 8.8, which permits departures from the IFRS when the effect of the departure is immaterial), IPOPEMA Business Services Kft. and IPOPEMA Business Services Srl. (subsidiaries of IPOPEMA Securities), and IPOPEMA Outsourcing Sp. z o.o., a subsidiary of IBC as at March 31st 2016 (in May 2016, the Company acquired all shares in IPOPEMA Outsourcing Sp. z o.o. from IBC), were not consolidated.

(PLN '000)	IPOPEMA Outsourcing Sp. z o.o.	IPOPEMA Business Services Kft.	IPOPEMA Business Services Srl.
Total assets as at Mar 31 2016	1	46	105
% share in Parent's total assets	-	1.37	0.03
Revenue for period Jan 1 – Mar 31 2016	-	-	131
% share in Parent's revenue	-	-	1.76
Net assets as at Mar 31 2016	1	46	- 34
Net profit/(loss) for period Jan 1 – Mar 31 2016	-	-	- 59

(PLN '000)	IPOPEMA Outsourcing Sp. z o.o.	IPOPEMA Business Services Kft.	IPOPEMA Business Services Srl.
Total assets as at Dec 31 2015	1	96	60
% share in Parent's total assets	-	0.03	0.02
Revenue for period Jan 1 – Mar 31 2015	-	188	126
% share in Parent's revenue	-	2.03	1.37
Net assets as at Dec 31 2015	1	62	24
Net profit/(loss) for period Jan 1 – Mar 31 2015	-	129	33

21. Seasonality

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

22. Contingent liabilities and contingent assets

From April to December 2015, the Company was obliged to incur a cost of up to CZK 1,238 thousand (PLN 184 thousand) under an agreement with the clearing bank in the Czech Republic if the minimum amount of transactional costs specified in the agreement is not reached (a pre-condition for incurring that cost). The agreement with the clearing bank expired in March 2016.

In addition to the above and the guarantees specified in Note 23, the Company also issued promissory notes as security for a credit facility (for a detailed description see Note 14).

23. Guarantees

In January 2012, PKO Bank Polski S.A. (formerly Nordea Bank Polska S.A.) issued to the Company a guarantee of up to EUR 268 thousand, secured by a security deposit with the current value of PLN 1,371 thousand. Under the annexes executed in 2014 and 2015, the guarantee amount was increased to EUR 277 thousand. The guarantee, provided until April 15th 2018, secures liabilities related to the lease of office space.

In March 2016, mBank issued a guarantee in respect of the Company's liabilities to Raiffeisen Bank Polska S.A., which has been IPOPEMA's clearing bank for foreign transactions since March 16th 2016. The guarantee was issued for the amount of EUR 1.5m, and secures the Company's timely payment of its liabilities to Raiffeisen Bank arising in connection with the services provided by the Bank, consisting in the settlement and clearance of foreign transactions. The guarantee is secured with a EUR 1.5m security deposit. The guarantee was issued until March 31st 2017.

In April 2012, mBank S.A. (formerly BRE Bank S.A.) issued a guarantee in respect of the Company's liabilities for the benefit of the Hungarian Branch of Deutsche Bank AG, which until March 15th 2016 was IPOPEMA Securities S.A.'s clearing bank for transactions executed on the Budapest Stock Exchange. The guarantee was issued for EUR 2.5m (the guarantee amount was changed on April 2nd 2015 to EUR 1.5m) and secured the Company's timely payment of liabilities towards Deutsche Bank arising in connection with the services provided by the Bank, consisting in settlement and clearing of transactions on the BSE. Under amendments made to the guarantee agreement in 2015, the guarantee was extended until April 1st 2016. In particular cases specified in the agreement, the guarantee expires on July 1st 2016. The guarantee was secured with a PLN 3.5m security deposit (the security deposit was refunded to the Company in April 2016).

24. Leases

The Group as a lessee – right to use a building

Group companies lease office space under lease agreements. The right to use the building for the term of the agreement was classified by the Company as operating lease. The lease agreement providing for the right to use the building was initially 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 agreement, executed in January 2016, the lease agreement was extended until January 2023. Minimum lease payments are presented in the table below.

Operating lease liabilities	Mar 31 2016	Dec 31 2015
	Present value of minimum lease payments	
Within 1 year *	2,161	3,112
Within 1 to 5 years *	8,181	9,798
Over 5 years *	3,383	-
Total operating lease liabilities	13,725	12,910

* Average annual value during the lease term.

The Group as a lessee – finance leases

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.

The lease agreements have been classified as finance leases. Minimum lease payments are presented in the table below.

Finance lease liabilities	Mar 31 2016	Dec 31 2015
Net carrying amount	793	776
Present value of minimum lease payments	793	776
Within 1 year *	188	186
Within 1 to 5 years *	605	590
Over 5 years *	-	-
Contingent lease payments recognised as expense in the period	67	268

The Group companies did not enter into any sublease agreements.

25. Related-party transactions

IPOPEMA Securities is the Parent of the Group. The composition of the Group and the equity interests are presented in Note 2.

In Q1 2016 and in 2015, the Group did not conclude any material transactions with related parties other than on an arm's length basis.

Related-party transactions – income and expenses (PLN '000)

Related party	Revenue from core activities	Other income	Purchases – core activities	Other purchases	Revenue from core activities	Other income	Purchases – core activities	Other purchases
	Jan 1 – Mar 31 2016				Jan 1 – Mar 31 2015			
IPOPEMA Business Services Kft.	-	-	-	-	-	-	184	-
IPOPEMA Business Services Srl.	-	-	133	-	-	-	125	-
IPOPEMA Outsourcing Sp. z o.o.	-	-	-	-	-	-	-	-
Members of the Management and Supervisory Boards	-	10	3	-	3	13	15	-
Other related entities	-	-	-	-	-	-	-	-
Total	-	10	136	-	3	13	324	-

Related-party transactions – receivables and liabilities

Related party	Receivables		Liabilities	
	Mar 31 2016	Dec 31 2015	Mar 31 2016	Dec 31 2015
IPOPEMA Business Services Kft.	-	-	-	-
IPOPEMA Business Services Srl.	-	-	-	-
Members of the Management and Supervisory Boards	25	18	-	-
Other related entities	-	-	-	-
Total	25	18	-	-

IPOPEMA Securities provides brokerage services to funds managed by IPOPEMA TFI S.A., but the related transaction costs are charged directly to the funds.

26. Items of the consolidated statement of cash flows

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

Investing activities – purchase and disposal of intangible assets, property, plant and equipment and non-current 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

	Presentation in the condensed consolidated statement of financial position		Presentation in the condensed consolidated statement of cash flows	
	Mar 31 2016	Dec 31 2015	Mar 31 2016	Dec 31 2015
Cash and cash equivalents	38,480	148,949	38,525	148,802
1. In hand	2	1	2	1
2. At banks	17,716	28,423	17,716	28,423
3. Other cash	20,746	120,495	20,746	120,494
4. Cash equivalents,	16	30	-	-
5. Accrued foreign exchange differences	-	-	61	-116

The difference between the presentation of cash in the statement of financial position and the statement of cash flows as at March 31st 2016 follows from the presentation of cash net of the effect of foreign exchange differences and received gift cards presented under cash and cash equivalents, and as at March 31st 2016 from the presentation of cash net of the effect of foreign exchange differences.

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

Differences in changes in balance-sheet items

	Presentation in the condensed consolidated statement of financial position		Presentation in the condensed consolidated statement of cash flows – change
	Mar 31 2016	Dec 31 2015	Mar 31 2016
Gross current and non-current receivables	305,171	180,371	-111,959
Net receivables	304,566	179,801	
Impairment losses on receivables	605	570	35
Accruals and deferrals	7,202	9,714	-2,512
Total increase/(decrease) in impairment losses and accruals and deferrals			-2,477

The difference between 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 presentation of receivables as at March 31st 2016 net of receivables under loans advanced, receivables under payment to increase a security deposit made in 2015, and interest on a security deposit receivable, disclosed under investing activities.

	Presentation in the condensed consolidated statement of financial position		Presentation in the condensed consolidated statement of cash flows – change
	Mar 31 2015	Dec 31 2014	Mar 31 2015
Gross current and non-current receivables	264,199	253,407	-9,590
Net receivables	262,910	252,119	
Impairment losses on receivables	1,289	1,288	1
Accruals and deferred income (net of deferred tax related to equity and provision for unpaid interest)	5,383	7,625	-2,477
Increase/(decrease) in accruals and deferrals			-2,476

The difference between 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 presentation of receivables as at March 31st 2015 net of receivables under loans advanced, receivables under payment to increase a security deposit, and interest on a security deposit receivable, disclosed under investing activities.

Explanation concerning other items of the consolidated statement of cash flows

	Jan 1 – Mar 31 2016	Jan 1 – Mar 31 2015
Cash flows from operating activities		
Other adjustments	14	23
- incentive scheme	-	23
- other	14	-
Cash flows from investing activities		
Other cash used in investing activities	12,805	1,000
- payment / increase in cash deposit	12,805	1,000

27. Pending court or administrative proceedings

In April 2016, the Company filed a suit for payment under writ-of-payment proceedings against one of its clients. The value of the subject of the dispute is PLN 49.2 thousand. The proceedings have not been concluded to date.

In October 2015, the General Inspector for Financial Information imposed a fine of PLN 5 thousand on IPOPEMA TFI for failure to meet the obligation to register a transaction and failure to implement follow-up recommendations issued by the Polish Financial Supervision Authority within the prescribed time limit. IPOPEMA TFI filed a petition with the Minister of Finance to re-examine the case. In December 2015 the Minister of Finance upheld the challenged decision. IPOPEMA TFI filed an appeal against the decision to the Provincial Administrative Court.

In March 2015, the Office of the Polish Financial Supervision Authority imposed a fine of PLN 50 thousand on IPOPEMA TFI for non-compliance by one of the subfunds with investment restrictions stipulated in its Articles of Association in the period from September 4th 2012 to July 29th 2013; the non-compliance related to investing in futures contracts on the WIG20 index. IPOPEMA TFI did not agree with the PFSA's arguments, and filed a request for re-examination of the case, which has not been considered to date.

28. Material events and factors in Q1 2016

Equity market and investment banking

In Q1 2016, only the Budapest Stock Exchange recorded an increase in the trading volumes (up 23.3% on Q1 2015), while the trading volumes in Warsaw and Prague were 14.4% and 21.8% lower, respectively, relative to the first three months of 2015. Over the same period, the Company's market share declined to 5.04% on the WSE and 1.89% on the BSE (from 6.12% and 2.75% in a year earlier) because of growing competition, chiefly from foreign-based brokerage houses. As a result, the Company's revenue from trading in securities in Q1 2016 went down by 25.7% relative to Q1 2015 (PLN 5,620 thousand vs PLN 7,563 thousand).

The market for equity transactions was equally challenging as in Q1 2015 (Q1 2016 saw one new debut on the WSE with an offering worth PLN 72m, while the only debut in Q1 2015 was only worth under PLN 30m). Furthermore, transactions which the Company is currently preparing were not scheduled to close in the first quarter of the year, as a result of which revenue from investment banking activities came in at PLN 1,775 thousand and was slightly higher than a year earlier (PLN 1,672 thousand).

As a result of the above factors, the brokerage services segment posted a net loss of PLN 1,899 thousand in Q1 2016 (relative to a PLN 1,237 thousand net loss in the previous year) despite lower cost of operations.

IPOPEMA TFI's activities

Despite an increase in the total value of assets under management (to PLN 48.6bn as at the end of March 2016 vs PLN 22.9bn in the previous year), the fund and portfolio management segment recorded a decline in assets in actively managed funds. In Q1 2016, the average value of assets in actively managed funds amounted to PLN 0.7bn (vs PLN 1.1bn a year earlier), and the average value of assets under management by the IPOPEMA asset management business was PLN 0.3bn (Q1 2015: PLN 1.2bn). This caused a decrease of 23.7% in revenue of the fund and portfolio management segment, to PLN 7,666 thousand (down from PLN 10,050 thousand in Q1 2015). Despite a 13.2% reduction of the cost of operations, the lower revenue translated into a lower net profit of the segment of PLN 410 thousand (down from PLN 1,358 thousand in Q1 2015).

IPOPEMA Business Consulting

As a result of the postponement of a number of major projects, IPOPEMA Business Consulting's revenue was significantly lower than in the corresponding period of 2015 (PLN 1,824 thousand vs PLN 3,152 thousand), even despite lower cost of operations, which resulted in the segment's net loss of PLN 692 thousand.

Given the markedly more difficult situation on the consultancy market in the first months of 2016, the number of projects carried out by IPOPEMA Business Consulting was lower than in the corresponding period of the previous year, driving down the segment's revenue to PLN 1,824 thousand (vs PLN 3,152 thousand).

29. Events subsequent to the end of reporting period

All events relating to the reporting period were disclosed in the accounting books and the condensed consolidated financial statements for the period January 1st – March 31st 2016.

No material events occurred after the end of the reporting period which should have been but were not disclosed in the accounting books for the reporting period.

Warsaw, May 13th 2016

Jacek Lewandowski
President of the
Management Board

Mariusz Piskorski
Vice-President of the
Management Board

Stanisław Waczkowski
Vice-President of the
Management Board

Miroslaw Borys
Vice-President of the
Management Board

Daniel Ścigala
Member of the
Management Board

Danuta Ciosek
Chief Accountant