The
IPOPEMA Securities Group

Interim condensed consolidated financial statements

for the three months ended March 31st 2014

Warsaw, May 14th 2014

Contents

Financial highlights

Consolidated financial highlights	PLN '000 3 months ended Mar 31 2014	 2013	EUR '000 3 months ended Mar 31 2014	 2013
Revenue from core activities	30,410	26,945	7,259	6,456
Cost of core activities	24,701	22,326	5,896	5,349
Profit on core activities	5,709	4,619	1,363	1,107
Operating profit	5,655	4,042	1,350	968
Pre-tax profit	4,812	3,879	1,149	929
Net profit on continuing operations	3,780	3,212	902	770
Net profit	3,780	3,212	902	770
Net earnings per ordinary share (weighted average) (PLN/ EUR)				
- basic	0.12	0.10	0.03	0.02
- diluted	0.12	0.10	0.03	0.02
Net cash from operating activities	8,131	-178,511	1,941	-42,769
Total cash flows	14,676	-201,117	3,503	-48,186

Consolidated financial highlights	PLN '000 Mar 31 2014	 Dec 31 2013	EUR '000 Mar 31 2014	 Dec 31 2013
Total assets	488,957	352,513	117,219	85,000
Current liabilities, including current tax liability	390,658	257,382	93,654	62,062
Total equity	89,150	85,343	21,372	20,578
Number of shares	29,937,836	29,937,836	29,937,836	29,937,836
Book value per share (PLN/EUR)	2.97	2.85	0.71	0.69

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

- Items of the consolidated statement of comprehensive income and 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 1–Mar 31 2014	Jan 1–Mar 31 2013
EUR	4.1894	4.1738

- Items of the consolidated statement of financial position:

Exchange rate as at	Mar 31 2014	Dec 31 2013
EUR	4.1713	4.1472

Interim condensed consolidated statement of comprehensive income

for the three months ended March 31st 2014

	Note	Jan 1–Mar 31 2014	Jan 1–Mar 31 2013
CONTINUING OPERATIONS			
Revenue from core activities, including:	15	**30,410**	**26,945**
Revenue from brokerage activities		16,638	16,755
Revenue from investment fund and asset management		10,245	7,879
Revenue from consultancy services		3,527	2,311
Cost of core activities	15	**24,701**	**22,326**
Profit (loss) on core activities		**5,709**	**4,619**
Gain (loss) on transactions in financial instruments held for trading		-145	-532
Gain (loss) on transactions in financial instruments held to maturity		-	-
Gain (loss) on transactions in financial instruments available for sale		40	32
Other income		227	255
Other expenses		176	332
Operating profit (loss)		**5,655**	**4,042**
Finance income		471	1,057
Finance costs		1,314	1,220
Pre-tax profit (loss)		**4,812**	**3,879**
Income tax	16	1,032	667
Net profit (loss) on continuing operations		**3,780**	**3,212**
DISCONTINUED OPERATIONS		-	-
Net profit (loss) for period		**3,780**	**3,212**
Attributable to:			
Owners of the parent		3,672	3,109
Non-controlling interests		108	103
Earnings (loss) per share (PLN)		0.12	0.10
Diluted earnings (loss) per share (PLN)		0.12	0.10
Net profit for the period		**3,780**	**3,212**
Other comprehensive income		**3**	**161**
Gains and losses on remeasurement of financial assets available for sale		4	199
Corporate income tax on items of other comprehensive income		-1	38
Comprehensive income for period		**3,783**	**3,373**
Attributable to:			
Owners of the parent		3,675	3,270
Non-controlling interests		108	103

Warsaw, May 14th 2014

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

IPOPEMA Securities S.A. Business Consulting TOWARZYSTWO FUNDUSZY INWESTYCYJNYCH Asset Management

Interim condensed consolidated statement of financial position

as at March 31st 2014

ASSETS	Note	Mar 31 2014	Dec 31 2013	Mar 31 2013
Cash and cash equivalents	12	67,516	52,749	54,066
Current receivables	12, 14	396,595	274,950	443,230
Current tax assets		797	86	778
Current prepayments and accrued income		1,696	1,316	1,119
Financial instruments held for trading		475	218	4,287
Financial instruments held to maturity		-	-	-
Financial instruments available for sale		9,482	9,479	7,436
Investments in jointly controlled entities and associates		-	-	-
Non-current receivables		2,330	2,336	2,411
Non-current loans advanced		12	794	1,377
Property, plant and equipment		5,374	5,611	5,673
Investment property		-	-	-
Intangible assets		2,934	3,101	2,978
Deferred tax assets		1,746	1,873	2,271
Non-current prepayments and accrued income		-	-	80
TOTAL ASSETS		**488,957**	**352,513**	**525,706**

EQUITY AND LIABILITIES		Mar 31 2014	Dec 31 2013	Mar 31 2013
Current liabilities	14	390,618	256,891	437,799
Current tax liabilities		40	491	-
Other financial liabilities		-	-	-
Non-current liabilities		579	600	636
Deferred tax liabilities		33	29	-
Accruals and deferred income	14	8,537	9,159	7,571
Provisions		-	-	-
Total liabilities		**399,807**	**267,170**	**446,006**
Share capital	13	2,994	2,994	2,994
Other components of equity		13,529	13,502	14,016
Retained earnings		68,358	64,686	59,430
Total equity		**84,881**	**81,182**	**76,440**
Non-controlling interests		**4,269**	**4,161**	**3,260**
Total equity		**89,150**	**85,343**	**79,700**
TOTAL EQUITY AND LIABILITIES		**488,957**	**352,513**	**525,706**

Warsaw, May 14th 2014

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Interim condensed consolidated statement of cash flows

for the three months ended March 31st 2014

CASH FLOWS	Note	Jan 1–Mar 31 2014	Jan 1–Mar 31 2013
Cash flows from operating activities			
Pre-tax profit		**4,812**	**3,879**
Total adjustments:	25	**3,319**	**-182,390**
Depreciation and amortisation expenses		632	503
Foreign exchange gains/(losses)		-101	-399
Interest and dividends		209	209
Gain (loss) on investing activities		201	381
Change in financial instruments available for sale		-40	-32
Change in financial instruments held for trading		-258	-3,957
Change in receivables		-121,369	73,909
Change in current liabilities (net of borrowings)		125,840	-251,621
Change in provisions and impairment losses on receivables		-15	11
Change in accruals and deferrals		-902	-915
Income tax		-902	-585
Other adjustments (including effect of incentive schemes and acquisition of CSAM)		24	106
Net cash from operating activities		**8,131**	**-178,511**
Cash flows from investing activities			
Decrease in loans advanced		6	-
Loans advanced		-350	-
Acquisition of property, plant and equipment and intangible assets		-197	-1,350
Disposal of property, plant and equipment		-	5
Cash provided by financial instruments available for sale and held to maturity		406	1,737
Acquisition of financial instruments available for sale and held to maturity		-50	-1,601
Interest received		95	102
Other cash used in investing activities		-	-1,009
Other cash from investing activities		12	39
Net cash from investing activities		**-78**	**-2,077**
Cash flows from financing activities			
Proceeds from borrowings		7,013	20
Repayment of borrowings		-	-21,179
Proceeds from issue of share capital		-	929
Repayment of debt securities		-2	-
Interest paid		-323	-234
Repayment of finance lease liabilities		-65	-65
Dividends to owners of the parent		-	-
Net cash from financing activities		**6,623**	**-20,529**
Total cash flows		**14,676**	**-201,117**

Net increase (decrease) in cash and cash equivalents		14,767	-200,764
Effect of exchange rate fluctuations on cash held		91	353
Cash at beginning of the period	25	53,041	251,090
Cash at end of the period, including	25	**67,717**	**49,973**
restricted cash		*4,179*	*4,185*

Warsaw, May 14th 2014

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Interim condensed consolidated statement of changes in equity

for the three months ended March 31st 2014

	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 2014	**2,994**	**10,351**	**92**	**3,059**	**64,686**	**4,161**	**85,343**
Profit for the period	-	-	-	-	3,672	108	3,780
Issue of shares	-	-	-	-	-	-	-
Costs of incentive scheme	-	-	-	24	-	-	24
Other comprehensive income	-	-	3	-	-	-	3
as at Mar 31 2014	**2,994**	**10,351**	**95**	**3,083**	**68,358**	**4,269**	**89,150**
as at Jan 1 2013	**2,975**	**9,441**	**570**	**2,831**	**56,255**	**3,157**	**75,229**
Profit for 2013	-	-	-	-	8,366	1,004	9,370
Issue of shares	19	910	-	-	-	-	929
Costs of incentive scheme	-	-	-	228	-	-	228
Other comprehensive income	-	-	-478	-	-	-	-478
Dividend payment	-	-	-	-	-	-	-
Other adjustments	-	-	-	-	65	-	65
as at Dec 31 2013	**2,994**	**10,351**	**92**	**3,059**	**64,686**	**4,161**	**85,343**
as at Jan 1 2013	**2,975**	**9,441**	**570**	**2,831**	**56,255**	**3,157**	**75,229**
Profit for the period	-	-	-	-	3,109	103	3,212
Issue of shares	19	909	-	-	-	-	928
Costs of incentive scheme	-	-	-	104	-	-	104
Other comprehensive income	-	-	161	-	-	-	161
Other adjustments	-	-	-	-	66	-	66
as at Mar 31 2013	**2,994**	**10,350**	**731**	**2,935**	**59,430**	**3,260**	**79,700**

Warsaw, May 14th 2014

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Notes

1. The IPOPEMA Securities Group

The IPOPEMA Securities Group (the 'IPOPEMA Securities Group', 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 2014, the IPOPEMA Securities Group comprised IPOPEMA Securities S.A. and its subsidiaries (the subsidiaries are presented in Note 2).

The Group's core business comprises:

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 based on 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 2014, 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.	- 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	full	100%	100%
IPOPEMA Asset Management S.A.	- management of portfolios of broker-traded financial instruments	full	100%	100%
IPOPEMA Business Consulting Sp. z o.o.	- 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%
indirect subsidiary (through IPOPEMA Business Consulting Sp. z o.o., the sole shareholder of the company)				
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%

3. Basis of preparation

3.1st 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 2014 and contain comparative data for the three months ended March 31st 2013 and as at December 31st 2013.

These interim condensed consolidated financial statements do not include all the information and disclosures required in the case of annual consolidated financial statements and should be read in conjunction with the consolidated financial statements of the IPOPEMA Securities Group for 2013.

3.2nd 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 złoty ('PLN') and all amounts herein are presented in thousands of Polish złoty, unless stated otherwise.

3.3rd 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.

3.4th Comparability of data

No material presentation changes occurred in Q1 2014.

4. Changes in applied accounting policies

In the three months ended March 31st 2014, there were no changes in the applied accounting policies compared with the policies published in the consolidated financial statements for 2013, issued on March 20th 2014. The consolidated financial statements for 2013 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), derivatives traded on the WSE, as well as FX swaps and FX forwards . 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. Financial assets are carried at cost as at the contract date, i.e. at the fair value of expenses incurred or other assets transferred in return, whereas financial liabilities are carried as 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 derivatives are carried at fair value from the transaction date. Financial derivatives held by the Group are listed on the Warsaw Stock Exchange, with the exception of the FX swap and FX forward contracts entered into by the Company. The fair value is determined based on stock-exchange prices on the reporting date or, in the case of instruments not listed on the Warsaw Stock Exchange, by using recognised valuation models based on market inputs as at the valuation date (reporting date). Derivatives with positive fair values are disclosed in the consolidated statement of financial position as assets, while those with negative fair values – as liabilities.

Other holdings of 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'. Since loans may be amortised after the repayment date, the Group applies the straight-line amortisation method with respect to the principal amount and accrued interest. Amortisation charges are disclosed under finance costs. Loans advanced to a non-consolidated subsidiary are also recognised under this item.

Furthermore, under loans and receivables the Group discloses receivables under lease of property, plant and equipment and intangible assets to IPOPEMA Business Services Kft. The lease agreement meets the definition of finance lease. The value of the leased out assets was PLN 113 thousand as at March 31st 2014 (December 31st 2013: PLN 145 thousand), including non-current receivables of PLN 3 thousand (December 31st 2013: PLN 14 thousand).

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 subsidiaries not subject to consolidation are measured at cost less impairment. 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; in any other case, 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 increase other income in the consolidated statement of comprehensive income.

Current receivables from clients, current receivables from banks conducting brokerage activities and other brokerage houses, current liabilities to clients and current liabilities to banks conducting brokerage activities and other brokerage houses

Current receivables from clients, current receivables from banks conducting brokerage activities and other brokerage houses, current liabilities to clients and current liabilities to banks conducting brokerage activities and other 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+3). In the case of purchases made on stock exchanges to execute orders placed by clients whose accounts are kept by custodian banks, the Group recognises current liabilities towards banks conducting brokerage activities and 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 and other 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 National Depository for Securities 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 and other brokerage houses, current liabilities to clients and current liabilities to banks conducting brokerage activities and other 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 the first three months of 2014

Standards and interpretations which have been issued and are effective for annual periods beginning on or after January 1st 2014:

- Amendments to IAS 32 'Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities' – effective for annual periods beginning on or after January 1st 2014;
- Amendments to IAS 36 'Recoverable Amount Disclosures for Non-Financial Assets' – effective for annual periods beginning on or after January 1st 2014;
- Amendments to IAS 39 'Novation of Derivatives and Continuation of Hedge Accounting' – effective for annual periods beginning on or after January 1st 2014;
- Amendments to IFRS 10, IFRS 12 and IAS 27 'Investment Entities' – effective for annual periods beginning on or after January 1st 2014;
- Amendments to IFRS 10, IFRS 11 and IFRS 12 – effective for annual periods beginning on or after January 1st 2014;
- IFRS 10 'Consolidated Financial Statements' - effective for annual periods beginning on or after January 1st 2014;
- IFRS 11 'Joint Arrangements' – effective for annual periods beginning on or after January 1st 2014;

- IFRS 12 'Disclosure of Interests in Other Entities' – effective for annual periods beginning on or after January 1st 2014;
- IAS 27 'Separate Financial Statements' – effective for annual periods beginning on or after January 1st 2014;
- IAS 28 'Investments in Associates and Joint Ventures' – effective for annual periods beginning on or after January 1st 2014.

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' – effective for annual periods beginning on or after January 1st 2015;
- IAS 19 'Employee Benefits – Defined Benefit Plans: Employee Contributions' – effective for annual periods beginning on or after July 1st 2014;
- IFRS 14 'Regulatory Deferral Accounts' – effective for annual periods beginning on or after January 1st 2016 ;
- Improvements to IFRS: Cycle 2011-2013 – in most part effective for annual periods beginning on or after July 1st 2014;
- Improvements to IFRS: Cycle 2010-2012 – in most part effective for annual periods beginning on or after July 1st 2014;
- IFRIC 21 'Levies' – effective for annual periods beginning on or after January 1st 2014.

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 2014, 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 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-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 złoty are translated into the złoty 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 2014	Dec 31 2013
USD	3.0344	3.0120
EUR	4.1713	4.1472
HUF 100	1.3586	1.3969
GBP	5.0485	4.9828
UAH	0.2693	0.3706

CZK	0.1520	0.1513
CHF	3.4192	3.3816
TRY	1.4021	1.4122
INR 100	5.0649	4.8757

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, 2,178,474 shares have been allocated to be subscribed for – subject to fulfilment of specified criteria – by the eligible persons. Of that number, 31,345 shares are deemed dilutive and have been included in the total number of shares for the purposes of computing diluted earnings per share.

Given the low number of dilutive shares, the values of basic earnings per share and diluted earnings per share in the periods covered by these consolidated financial statements are similar.

	Jan 1–Mar 31 2014	Jan 1–Mar 31 2013
Number of shares	29,937,836	29,937,836
Weighted average number of shares	29,937,836	29,848,074
Diluted number of shares	29,969,181	29,920,332
Net earnings from continuing operations for the period per share		
- basic	0.12	0.10
- diluted	0.12	0.10

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 IPOPEMA TFI's and IPOPEMA AM's business; the two companies focus 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	3 months ended Mar 31 2014 Continuing operations Brokerage and related services	Investment fund and portfolio management	Consultancy services	Total
Revenue				
Sales to external clients	16,638	11,180	3,527	**31,345**
Intersegment sales	-	-935	-	**-935**
Segment's total revenue	**16,638**	**10,245**	**3,527**	**30,410**
Segment's costs				
Segment's costs – purchases from external suppliers	-12,611	-9,726	-3,323	**-25,660**
Segment's costs – intersegment purchases	-	-	-	**-**
Consolidation eliminations	-	959	-	**959**
Segment's total costs	**-12,611**	**-8,767**	**-3,323**	**-24,701**
Segment's profit/(loss) on core activities	**4,027**	**1,478**	**204**	**5,709**
Unallocated costs	-	-	-	**-**
Profit on continuing operations before tax and finance costs	4,027	1,478	204	**5,709**
Interest income	146	34	14	**194**
Interest expenses	-290	-10	-	**-300**
Other net finance income/costs	-878	31	4	**-843**
Other income/expenses	-15	50	41	**76**
Consolidation eliminations	-21	-3	-	**-24**
Profit before tax and non-controlling interests	**2,969**	**1,580**	**263**	**4,812**
Income tax	639	348	47	**1,034**
Consolidation eliminations	-	-2	-	**-2**
Total corporate income tax	**639**	**346**	**47**	**1,032**
Net profit for the period	**2,330**	**1,234**	**216**	**3,780**
Net profit for the period without accounting for costs of the incentive scheme	***2,354***	***1,234***	***216***	***3,804***
Assets and liabilities as at Mar 31 2014				
Segment's assets	451,840	26,586	10,351	**488,957**
Unallocated assets	-	-	-	**-**
Total assets	**451,840**	**26,586**	**10,351**	**488,957**
Segment's liabilities	385,374	3,906	1,990	**391,270**
Accruals and deferred income	4,861	3,676	-	**8,537**
Segment's net profit (loss)	2,330	1,234	216	**3,780**
Equity (net of profit/loss for current period)	63,182	15,794	2,125	**81,101**
Non-controlling interests	-	-	4,269	**4,269**
Total equity and liabilities	**455,747**	**24,610**	**8,600**	**488,957**

Operating segments	3 months ended Mar 31 2013 Continuing operations			
	Brokerage and related services	Investment fund and portfolio management	Consultancy services	Total
Revenue				
Sales to external clients	16,755	8,783	2,311	**27,849**
Intersegment sales	-	-904	-	**-904**
Segment's total revenue	**16,755**	**7,879**	**2,311**	**26,945**
Segment's costs				
Segment's costs – purchases from external suppliers	-12,512	-8,441	-2,310	**-23,263**
Segment's costs – intersegment purchases	-	-	-	**-**
Consolidation eliminations	-	937	-	**937**
Segment's total costs	**-12,512**	**-7,504**	**-2,310**	**-22,326**
Segment's profit/(loss) on core activities	**4,243**	**375**	**1**	**4,619**
Unallocated costs	-	-	-	**-**
Profit on continuing operations before tax and finance costs	4,243	375	1	**4,619**
Interest income	220	50	155	**425**
Interest expenses	-323	-11	-5	**-339**
Other net finance income/costs	-835	27	58	**-750**
Other income/expenses	-64	-18	6	**-76**
Consolidation eliminations	-	-	-	**-**
Profit before tax and non-controlling interests	**3,241**	**423**	**215**	**3,879**
Income tax	737	-37	8	**708**
Consolidation eliminations	-	-41	-	**-41**
Total corporate income tax	**737**	**-78**	**8**	**667**
Net profit for the period	**2,504**	**501**	**207**	**3,212**
Net profit for the period, excluding costs of the incentive scheme	***2,608***	***501***	***207***	***3,316***
Assets and liabilities as at Dec 31 2013				
Segment's assets	315,527	26,332	10,654	**352,513**
Unallocated assets	-	-	-	**-**
Total assets	**315,527**	**26,332**	**10,654**	**352,513**
Segment's liabilities	249,872	5,810	2,300	**257,982**
Accruals and deferred income	6,395	2,764	29	**9,188**
Segment's net profit (loss)	4,307	3,054	2,009	**9,370**
Equity (net of profit/loss for current period)	58,858	12,731	223	**71,812**
Non-controlling interests	-	-	4,161	**4,161**
Total equity and liabilities	**319,432**	**24,359**	**8,722**	**352,513**

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

Cash and cash equivalents

Cash and cash equivalents comprise the following items:

Cash and other assets	Mar 31 2014	Dec 31 2013
Cash and other assets of the Group		
a) at banks and in hand	18,162	24,212
b) other	49,354	28,537
Total	**67,516**	**52,749**
Cash and other assets:		
a) cash and other assets of the Group	40,197	34,309
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	27,319	18,440
c) cash and other assets transferred from the settlement guarantee fund	-	-
Total	**67,516**	**52,749**

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 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 'Other cash equivalents'.

Clients' cash deposited in the Parent's bank account, in the amount of PLN 27,319 thousand as at March 31st 2014, and PLN 18,440 thousand as at December 31st 2013, is also disclosed under other cash.

Receivables

Current receivables	Mar 31 2014	Dec 31 2013
From clients/trade receivables	133,905	96,726
- from clients under transactions executed on the Warsaw Stock Exchange	100,320	58,527
- from clients under transactions executed on the Budapest Stock Exchange	2,179	27,504
- from clients under transactions executed on the Prague Stock Exchange	-	138
- from clients under transactions executed on the New York Stock Exchange	1,229	-
- from clients under transactions executed on the London Stock Exchange	4,129	-
- from clients under transactions executed on the Istanbul Stock Exchange	5,702	-
- from clients under transactions executed on the Frankfurt Stock Exchange	2,274	-
- from clients under transactions executed on the Amsterdam Stock Exchange	7,963	-
- from clients under transactions executed on Nasdaq	888	-
- from clients under transactions executed on the Copenhagen Stock Exchange	221	-
- from clients under transactions executed on the Stockholm Stock Exchange	520	-
- from clients under transactions executed on the Milan Stock Exchange	298	-
- other	8,182	10,557
From related entities	218	276
From banks conducting brokerage activities, other brokerage houses and commodity brokerage houses*	215,658	132,899
- under transactions executed on the Warsaw Stock Exchange*	200,107	93,891
- under transactions executed on the Budapest Stock Exchange	13,940	5,396
- under transactions executed on the Vienna Stock Exchange	831	-
- under transactions executed on the New York Stock Exchange	405	31,789
- under transactions executed on the London Stock Exchange	-	92
- under transactions executed on the Stockholm Stock Exchange	-	55

- other	375	1 676
From entities operating regulated markets and commodity exchanges	-	-
From the National Depository for Securities and exchange clearing houses	38,199	34,693
- from the settlement guarantee fund	38,199	34,693
- other	-	-
From investment and pension fund companies and from investment and pension funds	4,974	5,456
From issuers of securities or selling shareholders	-	2,078
From commercial chamber	-	-
Taxes, subsidies and social security receivable	32	176
Other	3,609	2,646
Total current receivables	**396,595**	**274,950**

** 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 2014 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 2014 and in 2013, 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 2014, the Group acquired property, plant and equipment and intangible assets for PLN 197 thousand (Q1 2013: PLN 1,350 thousand).

Material purchase or sale transactions in property, plant and equipment

In Q1 2014 and in 2013, the Group did not execute any material purchase or sale transactions in 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 2014, the Company's share capital was PLN 2,993,783.60, and did not change from December 31st 2013.

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 statement of financial position – liabilities and accruals and deferred income

Change in accruals and deferred income

	Jan 1–Mar 30 2014	Jan 1–Mar 30 2013	2013
As at beginning of the reporting period	**9,159**	**7,980**	**7,980**
Provisions created in period	5,511	3,477	19,249
Used	6,133	3,729	17,488
Reversed	-	157	582
As at end of the reporting period	**8,537**	**7,571**	**9,159**

Impairment losses on receivables

In the first three months of 2014, impairment losses on receivables decreased by PLN 15 thousand. In the comparative period (Q1 2013), impairment losses on receivables increased by PLN 12 thousand.

Liabilities (current)

Current liabilities	**Mar 31 2014**	**Dec 31 2013**
To clients	196,497	146,317
To related entities	-	-
To banks conducting brokerage activities, other brokerage houses and commodity brokerage houses*	172,092	103,140
- under transactions executed on the Warsaw Stock Exchange*	140,696	74,326
- under transactions executed on the Budapest Stock Exchange	8,203	28,676
- under transactions executed on the Prague Stock Exchange	-	138
- under transactions executed on the London Stock Exchange	4,125	-
- under transactions executed on the New York Stock Exchange	1,228	-
- under transactions executed on the Istanbul Stock Exchange	5,695	-
- under transactions executed on the Frankfurt Stock Exchange	2,270	-
- under transactions executed on Nasdaq	886	-
- under transactions executed on the Amsterdam Stock Exchange	7,952	-
- under transactions executed on the Copenhagen Stock Exchange	221	-
- under transactions executed on the Stockholm Stock Exchange	519	-
- under transactions executed on the Milan Stock Exchange	297	-
To entities operating regulated markets and commodity exchanges	946	844
- liabilities to the Warsaw Stock Exchange	852	767
- liabilities to the Budapest Stock Exchange	26	30
- liabilities to the Prague Stock Exchange	19	10
- liabilities to the Vienna Stock Exchange	49	37
To the National Depository for Securities and exchange clearing houses	2,258	249
Borrowings	9,602	2,589
- from related entities	-	-

- other	9,602	2,589
Debt securities	2	4
Taxes, customs duties and social security payable	1,823	1,339
Salaries and wages	1	-
To investment and pension fund companies and to investment and pension funds	1,033	1,281
Other	6,364	1,128
a) dividends payable	-	-
b) other	6,364	1,128
- financial liabilities (valuation of fx swap and forward contracts)	-	-
- other liabilities	6,364	1,128
Total current liabilities	**390,618**	**256,891**

** In accordance with Art. 45h of the amended Act on Trading in Financial Instruments, the following balance sheet items: 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, the liabilities do not bear interest.

Interest-bearing borrowings

Current liabilities under borrowings	Mar 31 2014	Dec 31 2013
Credit facility	9,602	2,589
- outstanding amount	9,602	2,589
Current liabilities under borrowings	**9,602**	**2,589**

As at March 31st 2014, the Group's liabilities under borrowings related to its brokerage business amounted to PLN 9,602 thousand (December 31st 2013: PLN 2,589 thousand). The liabilities result from two working-capital overdraft facility agreements executed by the Company on July 22nd 2009 with Alior Bank S.A. The facilities are used to finance payment of liabilities to the National Depository for Securities in connection with the brokerage activities and are renewed on an annual basis – the term of the two agreements expires on July 18th 2014:

1. Revolving credit facility of up to PLN 10m. The purpose of the facility is to finance payment of the Company's liabilities to the National Depository for Securities 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 2.
2. 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 Polish National Depository for Securities. 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 1 above, both credit facilities are jointly secured by a PLN 4m security deposit.

Bonds

In Q1 2014, the Group companies did not issue any bonds. In 2013, the Company issued registered bonds with a total nominal value of PLN 10 thousand, maturing in 2013–2015 (depending on the series). 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 Resolution 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 document 'Disclosure of information on IPOPEMA Securities S.A.'s capital adequacy', available on the Company's website.

In Q1 2014, the Company redeemed PLN 2 thousand worth of bonds (2013: PLN 4 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 2014	Jan 1–Mar 31 2013
Revenue from trading in securities	11,314	11,405
Revenue from investment banking services	5,316	5,261
Revenue from management of investment funds and clients' assets	10,245	7,879
Revenue from consultancy services	3,527	2,311
Other revenue from core activities	8	89
Total revenue from core activities	**30,410**	**26,945**

Cost of core activities

Cost of core activities	Jan 1–Mar 31 2014	Jan 1–Mar 31 2013
Affiliation costs	-	-
Fees payable to regulated markets, commodity exchanges, the National Depository for Securities and exchange clearing houses	2,844	3,824
Salaries and wages	10,788	9,787
Social security and other benefits	951	858
Employee benefits	156	106
Raw material and consumables used	1189	207
Costs of maintenance and lease of buildings	970	1,021
Depreciation and amortisation expenses	632	503
Taxes and other public charges	633	609
Commissions and other charges	3	18
Other	7,535	5,393
Total cost of core activities	**24,701**	**22,326**

16. Income tax

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

	Jan 1–Mar 31 2014	Jan 1–Mar 31 2013
Current income tax		
Current income tax expense	902	585
Deferred income tax		
Relating to temporary differences and their reversal	130	82
Deferred income tax affecting equity	-1	38
Income tax expense disclosed in the consolidated statement of comprehensive income	**1,031**	**705**

	Jan 1–Mar 31 2014	Jan 1–Mar 31 2013
Current income tax		
Current income tax expense	902	585
Tax effect of costs related to share capital increase	-	-
Deferred income tax	130	82
Tax on unrealised gain/(loss) on financial assets available for sale	-1	38
Tax on cash flow hedges settled during the year	-	-
Tax benefit/tax expense recognised in equity	**1**	**-38**

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

In Q1 2014, deferred tax liabilities increased by PLN 4 thousand, while in Q1 2013 no deferred tax liabilities were recognised.

Deferred tax assets went down by PLN 127 thousand in Q1 2014. In Q1 2013, they fell by PLN 50 thousand.

17. Employee benefits – employee share option plans

No shares were subscribed for under the Share Option Plan in Q1 2014, while in Q1 2013 eligible persons subscribed for 185,714 shares.

The cost of the incentive schemes is not recognised in the separate financial statements as the Polish Accountancy Act stipulates no such requirement. This cost is recognised in the consolidated financial statements of the IPOPEMA Securities Group. In connection with the transition to financial reporting compliant with the International Financial Reporting Standards, it was necessary to account for the effect of valuation of the share option plans implemented by the Group in the Group's consolidated financial statements.

On a consolidated basis, the cost of the share option plans increased the cost of salaries and wages in Q1 2014 by PLN 24 thousand, compared with PLN 104 thousand in Q1 2013. The amount was charged against the profit of the operating segment of IPOPEMA Securities S.A.

Share Option Plan II was measured using the Black-Scholes model, adjusted by continuous yield dividend and the dilution effect (decrease in the value of individual shares as a result of issuing new shares at a price below market). Share Option Plan III was measured using the binomial tree model.

18. Dividends paid and proposed

On May 13th 2014, the General Meeting of IPOPEMA Asset Management S.A. resolved to allocate PLN 2,000 thousand out of the 2013 profit to payment of dividend (approximately PLN 35.71 per share). By the date of preparation of these consolidated financial statements, the dividend had been paid out.

In Q1 2013, the Group companies did not pay or resolve to pay any dividend.

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

No debt or equity securities were issued in Q1 2014. In Q1 2013, the Company issued 185,714 Series C shares (see Note 17).

In Q1 2014, the Company redeemed PLN 2 thousand worth of bonds.

20. Exclusions of companies from consolidation

In line with IAS 8.8, which permits departures from the IFRS when the effect of the departure is immaterial, IPOPEMA Business Services Kft., a subsidiary of IPOPEMA Securities, and IPOPEMA Outsourcing Sp. z o.o., a subsidiary of IBC, were not consolidated in these condensed consolidated financial statements.

(PLN '000)	IPOPEMA Outsourcing Sp. z o.o.	IPOPEMA Business Services Kft.
Total assets as at Mar 31 2014	2	191
% share in Parent's total assets	-	0.04
Revenue for period Jan –Mar 31 2014	-	231
% share in Parent's revenue	-	1.39
Net assets as at Mar 31 2014	2	31
Net profit (loss) for period Jan 1–Mar 31 2014	-	20

(PLN '000)	IPOPEMA Outsourcing Sp. z o.o.	IPOPEMA Business Services Kft.
Total assets as at Dec 31 2013	5	182
% share in Parent's total assets	-	0.06
Revenue for period Jan 1–Mar 31 2013	-	429
% share in Parent's revenue	-	2.56
Net assets as at Dec 31 2013	4	12
Net profit (loss) for period Jan 1–Mar 31 2013	-	218

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

In the period covered by these condensed consolidated financial statements, the Company carried contingent liabilities under lease agreements. 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 executed for a period of five years, with an option to extend its term for another two years.

Minimum lease payments are presented in the table below.

Lease liabilities	Mar 31 2014	Dec 31 2013
	Present value of minimum lease payments	
Within 1 year	2,668	2,613
Within 1 to 5 years	10,478	10,372
Over 5 years	2,065	2,699
Total lease liabilities	**15,211**	**15,684**

** Value calculated by recognising the cost on a straight-line basis over the lease term.*

From April to December 2014, the Company will incur a cost of up to CZK 1,238 thousand (PLN 188 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). In the corresponding period of the previous year (i.e. April−December 2013) the cost was CZK 3,296 thousand (PLN 534 thousand).

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), and paid a deposit of PLN 1m as security in the settlement of transactions on foreign stock exchanges.

23. Guarantees

In January 2012, Nordea Bank Polska S.A. issued a guarantee to IPOPEMA Securities S.A. Under an amendment executed in 2014, the guarantee amount was increased to EUR 273 thousand. The guarantee, provided until April 15th 2018 and secured with a cash deposit of PLN 1,239 thousand, secures liabilities related to the lease of office space.

In April 2012, BRE Bank S.A. provided a guarantee in respect of the Company's liabilities for the benefit of the Hungarian Branch of Deutsche Bank AG, which is IPOPEMA Securities S.A.'s clearing bank for transactions executed on the Budapest Stock Exchange. The guarantee was issued for the amount of EUR 2.5m, and secures the Company's timely payment of its liabilities towards Deutsche Bank arising in connection with the services provided by the Bank, consisting in settlement and clearance of BSE transactions. Under amendments made to the guarantee agreement in 2014, the guarantee was extended until April 1st 2015. For particular cases specified in the agreement, the guarantee expires on July 1st 2015. The guarantee is secured by a PLN 2.5m security deposit.

24. 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 the first three months of 2014 and in 2013, the Group did not conclude any material transactions with related parties other than at arm's length.

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 2014				Jan 1–Mar 31 2013			
IPOPEMA Business Services Kft.	-	36	186	-	-	31	189	-
Members of the Management and Supervisory	22	10	2	-	-	-	8	-
Other related entities	-	-	-	-	-	-	-	-
Total	**22**	**46**	**188**	**-**	**-**	**31**	**197**	**-**

Related party transactions – receivables and liabilities

Related party	Receivables		Liabilities	
	Mar 31 2014	Dec 31 2013	Mar 31 2014	Dec 31 2013
IPOPEMA Business Services Kft.	218	280	-	-
Members of the Management and Supervisory	-	77	-	-
Other related entities	-	-	-	-
Total	**218**	**357**	**-**	**-**

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

25. Items of the consolidated statement of cash flows

Operating activities – provision of brokerage and consulting services as well as fund and asset management services, acting as market maker to perform tasks related to the organisation of the regulated market, acquisition and disposal of securities in the capacity of a dealer.

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 consolidated statement of financial position		Presentation in the consolidated statement of cash flows	
	Mar 31 2014	**Dec 31 2013**	**Mar 31 2014**	**Dec 31 2013**
Cash and cash equivalents	**67,516**	**52,749**	**67,717**	**53,041**
1. In hand	6	7	6	7
2. At banks	18,157	24,205	18,157	24,205
3. Other cash	49,353	28,537	49,353	28,537
4. Cash equivalents (deposit for a period exceeding three months)	-	-	-	-
Accrued foreign exchange differences	-	-	201	292

As at March 31st 2014 and December 31st 2013, the difference between the presentation of cash in the statement of financial position and the statement of cash flows in 2013 follows from 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 consolidated statement of financial position		Presentation in the consolidated statement of cash flows – change
	Mar 31 2014	**Dec 31 2013**	**Mar 31 2014**
Gross current and non-current receivables	399,517	277,893	-121,369
Net receivables	398,925	277,286	
Impairment losses on receivables	592	607	-15
Accruals and deferred income	8,537	9,159	-902
Change in impairment losses and accruals and deferrals			**- 917**

The difference between the balance-sheet change in gross receivables and the amount disclosed in the statement of cash flows is attributable to the reduction of receivables as at March 31st 2014 by the amount of receivables under loans advanced and interest on security deposit receivable, disclosed under investing activities, and the amount of receivables under lease (non-current portion) disclosed under financing activities.

	Presentation in the consolidated statement of financial position		Presentation in the consolidated statement of cash flows – change
	Mar 31 2013	**Dec 31 2012**	**Mar 31 2013**
Gross current and non-current receivables	446,782	520,308	73,909
Net receivables	446,419	519,956	
Impairment losses on receivables	363	352	11
Current prepayments and accrued income	1,119	750	
Non-current prepayments and accrued income	80	-	
Accruals and deferred income	7,571	7,980	
Total accruals and deferrals (net of deferred tax			**- 915**

assets)	

The difference between the balance-sheet change in gross receivables and the amount disclosed in the statement of cash flows is attributable to the presentation of receivables as at March 31st 2013 net of the amount of receivables under loans advanced, security deposit receivable, receivables under disposal of investment certificates, and non-current receivables, disclosed under investing activities, and the amount of receivables under lease (non-current portion) disclosed under financing activities.

Explanation concerning other items of the consolidated statement of cash flows

	Jan 1–Mar 31 2014	Jan 1–Mar 31 2013
Cash flows from operating activities		
Other adjustments	24	106
- incentive scheme	24	104
- other	-	2
Cash flows from investing activities		
Other cash used in investing activities	-	1,009
- cash deposit securing a bank guarantee	-	1,000
- other	-	9
Other cash from investing activities	12	39
- decrease in lease receivables	12	32
- dividend received	-	-
- other	-	7

26. Information on court proceedings

Group companies were not subject to any court proceedings in Q1 2014 or Q1 2013.

27. Material events and factors in Q1 2014

Situation on the equity markets of the Warsaw, Budapest and Prague Stock Exchanges

With substantial index movements, the total value of trades executed on the WSE in Q1 2014 was 7.6% higher year on year. In the same period, the Company's market share declined to 6.70% (from 10.33% a year earlier). On the Budapest Stock Exchange, the total value of trades in the reporting period was up by 4.3% year on year, with IPOPEMA Securities's market share at 4.02% (Q1 2013: 6.98%). As a result of these developments the Company's revenue from trading in securities remained virtually the same as in the corresponding period last year (PLN 11,314 thousand vs PLN 11,405 thousand).

Investment banking services

In Q1 2014, IPOPEMA Securities' performance on the equity market was strong, similar to the same period of 2013. IPOPEMA Securities acted as global coordinator in the sale of Globe Trade Centre S.A. shares and carried out public offerings of Comperia S.A. shares and MCI Management S.A. convertible bonds. These transactions strongly contributed to revenue from investment banking services, which in Q1 2014 amounted to PLN 5,316 thousand (Q1 2013: PLN 5,261 thousand).

IPOPEMA TFI's and IPOPEMA Asset Management's activities

The key driver of the increase in revenue from fund and portfolio management was an increase in the number of funds and a higher value of assets held by the funds managed by IPOPEMA TFI. At the end of Q1 2013, IPOPEMA TFI had 88 funds under management, with an aggregate asset value of PLN 8.6bn. As at the end of March 2014, the number of funds rose to 93 (including subfunds), and the aggregate value of their assets grew to PLN 18.2bn. Despite higher costs of operations (up by 16.8%), the strong revenue increase in Q1 2014 (up by 30%) resulted in a more than two-fold increase in net profit (PLN 1,234 thousand vs PLN 501 thousand in Q1 2013).

IPOPEMA Business Consulting

In Q1 2014, IPOPEMA Business Consulting also recorded significantly higher revenue – up by 52.6% to PLN 3,527 thousand (from PLN 2,311 thousand in Q1 2013). However, given the increase in costs of operations to

PLN 3,323 thousand (Q1 2013: PLN 2,310 thousand), the net profit remained relatively unchanged at PLN 216 thousand (PLN 207 thousand in Q1 2013).

28. Events subsequent to the end of reporting period

All events relating to the reporting period have been disclosed in the accounting books and the condensed consolidated financial statements for the period January 1st–March 31st 2014. 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 14th 2014

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