

Quarterly report for the third quarter of 2021

for the period from 1 July to 30 September, 2021

Warsaw, 15 November 2021

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1. Letter of the Management Board to the Shareholders

Dear Shareholders!

We present the financial results of Polaris IT Group SA and its subsidiary ISRV Zrt after three quarters of 2021. From January to September, the Group generated sales revenue of PLN 116.6 million and net profit of PLN 14.9 million. In the third quarter, it was PLN 4.0 million and PLN 0.1 million loss, respectively, due to the main focus in this quarter was on development.

ISRV Zrt. received a non-refundable grant in Q3 under which it will develop an innovative 3D printing and precision metal casting solution to support industrial manufacturing processes, supported by innovative radar technologies and AI-based algorithms. In addition, ISRV Zrt. has entered a consortium that can participate in tenders for the purchase of high-value server for the Hungarian state. By itself, consortium membership does not yet mean a certain order, but we hope that this opportunity can bring business success, not only in terms of commercial server products, but also in terms of independently developed hardware solutions.

The main areas that our company deals with and on which we definitely want to strengthen and develop further are:

I. Online training

We provide products and solutions in this area for a wide range of target groups including public education, private education, corporate training and conferencing. The company's products provide each target group with an individually personalized, multi-featured, closed-system educational and communication platform based on video chat.

II. Security technologies

We develop and deliver solutions that provide protection in data transmission and storage. We see a growing demand and expanding circle of customers in this segment. iSRV holds and annually renews security certifications that allow us to fulfill military orders (including NATO certifications). This allows us to offer our own solutions, as well as fulfill orders in consortium with other suppliers who benefit from the opportunities offered by their cooperation with the company.

III. AI (or rather ML)

AI, or artificial intelligence, is an often misused phrase these days, mostly in marketing terms. To be more specific, it usually refers to Machine Learning (ML), or machine learning, and there are basically no products on the market that can truly be described as artificial intelligence. ML is an important solution, whose applications iSRV sees in many projects, dedicated to industrial processes or security technology, as well as education, hence the company will undertake more and more projects based on this solution.

I invite you to read the report.

Gábor Kósa

President of the Management Board of Polaris IT Group SA

2. Quarterly consolidated financial statements

a. Consolidated balance sheet

ASSETS	01-09.2021	01-09.2020
A. FIXED ASSETS	76 521 779,41	72 941 439,83
I. Intangible assets	17 495 985,59	18 792 097,48
1. Research and development costs	13 008 158,89	8 106 151,87
2 Goodwill	-	-
3. Other intangible assets	4 487 826,70	10 685 945,61
4. Advances for intangible assets	-	-
II. Goodwill of subsidiaries	47 729 449,35	48 212 688,45
1. Goodwill - subsidiaries	47 729 449,35	48 212 688,45
2 Goodwill - jointly controlled entities	-	-
III. Tangible fixed assets	11 296 344,47	5 936 653,90
1. Tangible assets	439 277,34	527 504,30
2. Tangible assets under construction	10 857 067,13	-
3. Advances for tangible assets under construction	-	5 409 149,60
IV. Long-term receivables	-	-
1. From related entities	-	-
2. From other entities in which the entity holds an equity interest	-	-
3. From other entities	-	-
V. Long-term investments	-	-
1. Real property	-	-
2. Intangible assets	-	-
3. Long-term financial assets	-	-
4. Other long-term investments	-	-
VI. Long-term deferred charges and accruals	-	-
1. Deferred tax assets	-	-
2. Other prepayments and accruals	-	-
B. CURRENT ASSETS	14 044 366,45	70 434 512,06
I. Inventory	3 874 060,50	60 123 478,99
1. Materials	-	-
2. Semi-finished products and work in process	-	-
3. Finished products	-	-
4. Goods	3 874 060,50	60 123 478,99

ASSETS	01-09.2021	01-09.2020
5. Advances on deliveries and services	-	-
II. Short-term receivables	9 298 118,46	7 358 575,36
1. Receivables from related entities	-	-
2. Receivables from other entities in which the entity holds an equity interest	-	-
3. Receivables from other entities	9 298 118,46	7 358 575,36
III. Short-term investments	541 155,01	2 834 550,13
1. Short-term financial assets	541 155,01	2 834 550,13
2. Other short-term investments	-	-
IV. Short-term prepayments and accruals	331 032,48	117 907,58
C. Payments due to share capital	-	-
D. Own shares (stock)	-	-
TOTAL ASSETS	90 566 145,86	143 375 951,89

EQUITY AND LIABILITIES	01-09.2021	01-09.2020
A. EQUITY (FUND)	59 319 054,01	53 899 283,98
I. Share capital (fund)	5 812 000,00	5 812 000,00
II. Supplementary capital (fund), including:	49 500 000,00	49 500 000,00
III. Capital (fund) from revaluation	-	-
IV. Other reserve capitals (funds)	-	-
V. Foreign exchange differences on translation	-	-
VI. Retained profit (loss) from previous years	(79 547,18)	(131 726,71)
- consolidation adjustments (technical entry)	(10 848 285,95)	(1 629 796,99)
VII. Net profit (loss)	14 934 887,14	348 807,68
VII. Write-offs from net profit during the financial year	-	-
B. MINORITY CAPITALS	-	-
C. NEGATIVE GOODWILL	-	-
I. Negative value - subsidiaries	-	-
II. Negative value - jointly controlled entities	-	-
D. LIABILITIES AND PROVISIONS FOR LIABILITIES	31 247 091,85	89 476 667,91
I. Provisions for liabilities	14 480 199,04	2 574 558,01
1. Provision for deferred income tax	14 480 199,04	2 523 215,71
2. Provision for retirement and similar benefits	-	-
3. Other provisions	-	-
II. Long-term liabilities	20 885,03	20 170,02
1. To related entities	-	-

EQUITY AND LIABILITIES	01-09.2021	01-09.2020
2. To other entities in which the entity holds an equity interest	-	-
3. To other entities	20 885,03	20 170,02
III. Short-term liabilities	16 415 772,47	68 624 315,93
1. Liabilities to related entities	-	-
2. Liabilities to other entities in which the entity holds an equity interest	-	-
3. Liabilities to other entities	16 415 772,47	68 624 315,93
4. Special funds	-	-
IV. Prepayments and accruals	330 235,31	18 257 623,95
1. Negative goodwill	-	-
2. Other prepayments and accruals	330 235,31	18 257 623,95
TOTAL EQUITY AND LIABILITIES	90 566 145,86	143 375 951,89

b. Consolidated profit and loss account

Profit and loss account	07-09.2021	07-09.2020	01-09.2021	01-09.2020
A. Net revenues from sales and their equivalents, including:	3 987 393,44	50 832 248,26	116 583 147,28	138 288 887,47
- from related entities	-	-	-	-
I. Net revenues from sales of products	4 197 723,36	47 814 239,60	115 605 185,76	121 974 715,48
II. Change in stock of products	-	-	-	-
III. Costs of manufacturing products for internal purposes	(210 329,92)	3 018 008,66	977 961,52	16 087 196,99
IV. Net revenues from sales of goods and materials	-	-	-	-
B. Operating costs	4 177 439,20	50 131 306,30	98 985 025,48	135 340 963,17
I. Amortisation and depreciation	529 832,75	695 015,71	1 511 261,79	1 654 683,91
II. Material and energy consumption	(191 352,82)	58 599,57	604 316,20	146 741,61
III. External services	2 535 041,53	24 204 243,69	8 241 443,03	52 750 637,49
IV. Taxes and charges, including:	89 218,25	61 887,04	245 965,72	172 427,46
- excise duty	-	-	-	-
V. Payroll	544 725,12	361 096,70	1 551 821,72	989 533,75
VI. Social insurance and other	-	5 492,78	-	5 492,78

Profit and loss account	07-09.2021	07-09.2020	01-09.2021	01-09.2020
benefits				
VII. Other costs by type	22 110,45	503 219,83	462 371,90	721 002,30
VIII. Value of goods and materials sold	647 863,92	24 241 750,98	86 367 845,12	78 900 443,87
C. Profit (loss) on sales (A-B)	(190 045,76)	700 941,96	17 598 121,80	2 947 924,30
D. Other operating revenues	38 713,89	61 106,61	116 506,93	140 141,45
I. Gain on disposal of non-financial fixed assets	-	-	-	-
II. Subsidies	-	-	-	-
III. Revaluation of non-financial assets	-	-	-	-
IV. Other operating revenues	38 713,89	61 106,61	116 506,93	140 141,45
E. Other operating costs	-	0,30	-	-
I. Loss on disposal of non-financial fixed assets	-	-	-	-
II. Revaluation of non-financial assets	-	-	-	-
III. Other operating costs	-	0,30	-	0,99
F. Operating profit (loss) (C+D-E)	(151 331,87)	762 048,27	17 714 628,73	3 088 065,75
G. Financial revenues	(960,97)	3 790,21	201 989,67	3 398 916,36
I. Dividend and profit sharing	-	-	-	-
II. Interest	-	-	-	-
III. Gain on disposal of financial assets	-	-	-	-
IV. Revaluation of financial assets	-	-	-	-
V. Other	(960,97)	3 790,21	201 989,67	3 398 316,36
H. Financial costs	23 285,45	1 844 044,95	1 118 380,43	5 995 378,61
I. Interest	-	-	104,04	-
II. Loss on sales of financial assets	67,76	1 844 044,95	4 951,94	698 765,38
III. Revaluation of investments	-	-	-	-
IV. Other	23 217,69	-	1 113 324,45	5 296 613,23
I. Profit (loss) on the sale of all or part of shares of subordinates	-	-	-	-
J. Profit (loss) on business activities (F+G-H+/-1)	(175 578,29)	(1 078 206,47)	16 798 237,97	491 602,50
K. Write-down of goodwill	(49 901,41)	111 221,70	362 429,33	111 221,70
I. Goodwill write-down - subsidiaries	(49 901,41)	111 221,70	362 429,33	111 221,70
II. Write-down of goodwill - partially owned subsidiaries	-	-	-	-
L. Write-down of negative goodwill	-	-	-	-
I. Write-off of negative goodwill - subsidiaries	-	-	-	-

Profit and loss account	07-09.2021	07-09.2020	01-09.2021	01-09.2020
II. Write-off of negative goodwill - partially owned subsidiaries	-	-	-	-
M. Profit (loss) on shares in subsidiaries and affiliates accounted for using the equity method	-	-	-	-
I. Gross profit (loss) (J-K+L+/-M)	(125 676,88)	(1 189 428,17)	16 435 808,64	380 380,80
J. Income tax	(16 921,50)	(75 866,02)	1 500 921,50	31 573,13
I. Current part	(16 921,50)	(75 866,02)	1 500 921,50	31 573,13
II. Deferred portion	-	-	-	-
K. Other compulsory reductions in profit (increases in loss)	-	-	-	-
L. Net profit (loss) (I-J-K)	(108 755,38)	(1 113 562,15)	14 934 887,14	348 807,68

c. Consolidated statement of changes in equity

Statement of changes in equity	07-09.2021	07-09.2020	01-09.2021	01-09.2020
I. EQUITY (FUND) AT THE BEGINNING OF THE PERIOD (BO)	59 428 422,52	261 978,26	44 331 786,04	180 273,29
I.a. Equity (fund) at the beginning of the period (BO) after adjustments	59 428 422,52	261 978,26	44 331 786,04	180 273,29
1. Share capital (fund) at the beginning of the period	5 812 000,00	312 000,00	5 812 000,00	312 000,00
1.1. Changes in share capital (fund)	-	5 500 000,00	-	5 500 000,00
1.2. Share capital (fund) at the end of the period	5 812 000,00	5 812 000,00	5 812 000,00	5 812 000,00
2. Supplementary capital (fund) at the beginning of the period	49 500 000,00	-	49 500 000,00	-
2.1. Changes in supplementary capital (fund)	-	49 500 000,00	-	49 500 000,00
2.2. Closing balance of supplementary capital (fund)	49 500 000,00	49 500 000,00	49 500 000,00	49 500 000,00
3. Opening balance of revaluation reserve (fund)	-	-	-	-
3.1. Changes in revaluation reserve (fund)	-	-	-	-
3.2. Revaluation reserve (fund) at the end of the period	-	-	-	-
4. Other reserve capitals (funds) at the beginning of the period	-	-	-	-
4.1. Changes in other reserve capital (funds)	-	-	-	-
4.2. Other reserve capital (funds) at	-	-	-	-

Statement of changes in equity	07-09.2021	07-09.2020	01-09.2021	01-09.2020
the end of the period				
5. Foreign exchange differences on translation	108 922,64	-	52 380,83	-
6. profit (loss) from previous years at the beginning of the period	(79 547,18)	(131 726,71)	(79 547,18)	(131 726,71)
6.1. Opening balance of retained earnings	-	-	-	-
6.2. Opening balance of previous years' profit, after adjustments	-	-	-	-
6.3. Retained earnings at the end of the period	-	-	-	-
6.4. Opening loss from prior years,	-	131 726,71	79 547,18	1 379 726,71
6.5. Opening balance of loss brought forward, after adjustments	-	131 726,71	79 547,18	1 379 726,71
6.6. Loss brought forward at the end of the period	-	131 726,71	79 547,18	131 726,71
6.7. Profit (loss) from previous years at the end of the period	(79 547,18)	(131 726,71)	(79 547,18)	(131 726,71)
- consolidation adjustments (technical entry)		(249 142,10)		(1 629 796,99)
7. Net result	(108 755,38)	(1 113 562,18)	14 934 887,14	348 807,68
II. EQUITY (FUND) AT THE END OF THE PERIOD (SB)	59 319 054,01	53 899 283,98	59 319 054,01	53 899 283,98
III. EQUITY (OWN FUND), AFTER PROPOSED DISTRIBUTION OF PROFIT (COVERAGE OF LOSS)	59 319 054,01	53 899 283,98	59 319 054,01	53 899 283,98

d. Consolidated Cash Flow Statement

Cash flow statement	07-09.2021	07-09.2020	01-09.2021	01-09.2020
A. CASH FLOWS FROM OPERATING ACTIVITIES				
I. Net profit (loss)	(108 755,38)	(1 113 562,15)	14 934 887,14	348 807,68
II. Total adjustments	993 029,47	(3 871 453,84)	(8 064 473,31)	23 617 563,10
1. Minority profit (loss)	-	-	-	-
2. Gains (losses) on shares in entities accounted for using the equity method	-	-	-	-
3. Depreciation	529 832,75	695 015,71	1 511 261,79	1 654 683,91
4. Write-downs of goodwill	(49 901,41)	111 221,70	362 429,33	111 221,70
5. Write-downs of negative goodwill	-	-	-	-
6. Foreign exchange gains (losses)	-	-	-	-

Cash flow statement	07-09.2021	07-09.2020	01-09.2021	01-09.2020
7. Interest and shares in profits (dividends)	-	-	-	-
8. Profit (loss) on investment activities	-	(31 439 744,37)	-	(55 050 388,23)
9. Change in provisions	-	-	-	-
10. Change in inventories	(3 317 777,29)	-	78 713 767,04	-
11. Change in receivables	665 708,93	60 714 899,82	(3 171 100,70)	3 981 060,60
12. Change in short-term liabilities, except for loans and borrowings	3 810 319,06	(51 323 186,88)	(85 235 685,00)	55 199 427,17
13. Change in accruals	(645 152,57)	17 370 340,17	(245 145,54)	17 721 557,93
14. Other adjustments	-	0,01	(0,23)	0,02
III. Net cash flows from operating activities (I+II)	884 274,09	(4 985 015,99)	6 870 413,83	23 996 370,78
B. CASH FLOWS FROM INVESTING ACTIVITIES	-	-	-	-
I. Proceeds	-	-	-	-
1. Disposal of intangible and tangible fixed assets	-	-	-	-
2. Disposal of investments in real estate and intangible assets	-	-	-	-
3. Of financial assets, including:	-	-	-	-
4. Other investment income	-	-	-	-
II. Expenses	475 019,99	4 697 389,40	6 556 427,30	21 581 581,13
1. Acquisition of intangible and tangible fixed assets	475 019,99	4 697 389,40	6 556 427,30	21 581 581,13
2. Investments in real estate and intangible assets	-	-	-	-
3. For financial assets, including:	-	-	-	-
4. Other capital expenditure	-	-	-	-
III. Net cash flows from investing activities (I-II)	(475 019,99)	(4 697 389,40)	(6 556 427,30)	(21 581 581,13)
C. CASH FLOWS FROM FINANCING ACTIVITIES	-	-	-	-
I. Proceeds	-	-	-	26 065,20
1. Net proceeds from the issue of shares and other equity instruments and capital contributions	-	-	-	-
2. Loans and advances	-	-	-	26 065,20
3. Issuance of debt securities	-	-	-	-
4. Other financial inflows	-	-	-	-
II. Expenses	-	63 219,84	-	63 219,84
1. Purchase of own shares	-	-	-	-
2. Dividends and other payments to owners	-	-	-	-

Cash flow statement	07-09.2021	07-09.2020	01-09.2021	01-09.2020
3. Profit sharing expenses other than payments to owners	-	-	-	-
4. Repayment of credits and loans	-	63 219,84	-	63 219,84
5. Redemption of debt securities	-	-	-	-
6. Other financial liabilities	-	-	-	-
7. Payment of liabilities under finance leases	-	-	-	-
8. Interest	-	-	-	-
9. Other financial expenses	-	-	-	-
III. Net cash flows from financing activities (I-II)	-	(63 219,84)	-	(37 154,64)
D. TOTAL NET CASH FLOWS (A.III.+B.III+C.III)	409 254,10	(9 745 625,23)	313 986,53	2 347 635,01
E. BALANCE SHEET CHANGE IN CASH, INCLUDING:	409 279,18	(9 745 625,23)	314 011,61	2 347 635,01
F. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	131 875,83	12 580 175,36	227 143,40	486 915,12
G. CASH AT THE END OF THE PERIOD (F+D)	541 155,01	2 834 550,13	541 155,01	2 834 550,13

3. Quarterly separate financial statements

a. Separate balance sheet

ASSETS	01-09.2021	01-09.2020
A. FIXED ASSETS	55 000 000,00	55 000 105,20
I. Intangible assets	-	105,20
1. Research and development costs	-	-
2. Goodwill	-	-
3. Other intangible assets	-	105,20
4. Advances on intangible assets	-	-
II. Tangible fixed assets	-	-
1. Tangible assets	-	-
2. Tangible assets under construction	-	-
3. Advances for tangible assets under construction	-	-
III. Long-term receivables	-	-
1. From related entities	-	-
2. From other entities in which the entity holds an equity interest	-	-
3. From other entities	-	-
IV. Long-term investments	55 000 000,00	55 000 000,00
1. Real property	-	-
2. Intangible assets	-	-
3. Long-term financial assets	-	-
4. Other long-term investments	55 000 000,00	55 000 000,00
V. Long-term prepayments and accruals	-	-
1. Deferred tax assets	-	-
2. Other prepayments and accruals	-	-
B. CURRENT ASSETS	265 505,95	218 641,02
I. Inventory	-	-
1. Materials	-	-
2. Semi-finished products and work in process	-	-
3. Finished products	-	-
4. Goods	-	-
5. Advances on deliveries and services	-	-
II. Short-term receivables	240 201,76	142 596,50
1. Receivables from related entities	-	-

ASSETS	01-09.2021	01-09.2020
2. Receivables from other entities in which the entity holds an equity interest	-	-
3. Receivables from other entities	240 201,76	142 596,50
III. Short-term investments	22 391,05	74 500,50
1. Short-term financial assets	22 391,05	74 500,50
2. Other short-term investments	-	-
IV. Short-term prepayments and accruals	2 913,14	1 544,02
C. Called-up share capital	-	-
D. Own shares (stocks)	-	-
TOTAL ASSETS	55 265 505,95	55 218 746,22

EQUITY AND LIABILITIES	01-09.2021	01-09.2020
A. EQUITY (FUND)	55 254 137,33	55 145 428,65
I. Share capital (fund)	5 812 000,00	5 812 000,00
II. Supplementary capital (fund), including:	49 500 000,00	49 500 000,00
III. Capital (fund) from revaluation	-	-
IV. Other reserve capitals (funds)	-	-
V. Profit (loss) of previous years	(79 547,18)	(131 726,71)
VI. Net profit (loss)	21 684,51	(34 844,64)
VII. Write-off on net profit during the financial year	-	-
B. LIABILITIES AND PROVISIONS FOR LIABILITIES	11 368,62	73 317,57
I. Provisions for liabilities	-	51 342,30
1. Provision for deferred income tax	-	-
2. Provision for retirement and similar benefits	-	-
3. Other provisions	-	51 342,30
II. Long-term liabilities	-	-
1. To related entities	-	-
2. To other entities in which the entity holds an equity interest	-	-
3. To other entities	-	-
III. Short-term liabilities	11 368,62	21 975,27
1. Liabilities to related entities	-	-
2. Liabilities to other entities in which the entity holds an equity interest	-	-

EQUITY AND LIABILITIES	01-09.2021	01-09.2020
3. Liabilities to other entities	11 368,62	21 975,27
4. Special funds	-	-
IV. Prepayments and accruals	-	-
1. Negative goodwill	-	-
2. Other prepayments and accruals	-	-
TOTAL EQUITY AND LIABILITIES	55 265 505,95	55 218 746,22

b. Separate income statement

Profit and loss account	07-09.2021	07-09.2020	01-09.2021	01-09.2020
A. Net revenues from sales and their equivalents, including:	54 829,99	-	3 996 725,99	226 975,00
- from related entities	-	-	-	-
I. Net revenues from sales of products	54 829,99	-	3 996 725,99	-
II. Change in stock of products	-	-	-	-
III. Costs of manufacturing products for internal purposes	-	-	-	-
IV. Net revenues from sales of goods and materials	-	-	-	-
B. Operating costs	75 221,39	116 449,95	3 972 956,35	254 822,90
I. Amortisation and depreciation	-	80,22	24,98	240,66
II. Material and energy consumption	-	-	60,00	477,20
III. External services	29 618,94	50 482,51	138 728,18	157 440,46
IV. Taxes and charges, including:	8 070,00	11 300,00	9 138,00	11 650,00
- excise duty	-	-	-	-
V. Payroll	37 125,68	48 780,92	78 518,03	78 780,92
VI. Social insurance and other benefits	-	5 492,78	-	5 492,78
VII. Other costs by type	406,77	313,52	1 685,23	740,88
VIII. Value of goods and materials sold	-	-	3 744 801,93	-
C. Profit (loss) on sales (A-B)	(20 391,40)	(116 449,95)	23 769,64	(27 847,90)
D. Other operating revenues	-	-	984,00	-
I. Gain on disposal of non-financial fixed assets	-	-	-	-
II. Subsidies	-	-	-	-
III. Revaluation of non-financial assets	-	-	-	-

Profit and loss account	07-09.2021	07-09.2020	01-09.2021	01-09.2020
IV. Other operating revenues	-	-	984,00	-
E. Other operating costs	-	0,30	-	0,99
I. Loss on disposal of non-financial fixed assets	-	-	-	-
II. Revaluation of non-financial assets	-	-	-	-
III. Other operating costs	-	0,30	-	0,99
F. Operating profit (loss) (C+D-E)	(20 391,40)	(116 450,25)	24 753,64	(27 848,89)
G. Financial revenues	369,60	3 790,17	2 687,93	6 694,78
I. Dividend and profit sharing	-	-	-	-
II. Interest	-	-	-	-
III. Gain on disposal of financial assets	-	-	-	-
IV. Revaluation of financial assets	-	-	-	-
V. Other	369,60	3 790,17	2 687,93	6 694,78
H. Financial costs	21,46	3 889,53	3 700,06	3 889,53
I. Interest	-	-	104,04	-
II. Loss on sales of financial assets	-	-	-	-
III. Revaluation of investments	-	-	-	-
IV. Other	21,46	3 889,53	3 596,02	3 889,53
I. Gross profit (loss) (F+G-H)	(20 043,26)	(116 549,61)	23 741,51	(25 043,64)
J. Income tax	-	-	2 057,00	9 801,00
I. Current portion	-	-	2 057,00	9 801,00
II. Deferred portion	-	-	-	-
K. Other mandatory decrease of profit (increase of loss)	-	-	-	-
L. Net profit (loss) (I-J-K)	(20 043,26)	(116 549,61)	21 684,51	(34 884,64)

c. Separate statement of changes in equity

Statement of changes in equity	07-09.2021	07-09.2020	01-09.2021	01-09.2020
I. EQUITY (FUND) AT THE BEGINNING OF THE PERIOD (BO)	55 274 180,59	261 978,26	55 232 452,82	180 273,29
I. a. Equity (fund) at the beginning of the period (BO) after adjustments	55 274 180,59	261 978,26	55 232 452,82	180 273,29
1. Share capital (fund) at the beginning of the period	5 812 000,00	312 000,00	5 812 000,00	312 000,00
1.1. Changes in share capital (fund)	-	5 500 000,00	-	5 500 000,00
1.2. Share capital (fund) at the end of	5 812 000,00	5 812 000,00	5 812 000,00	5 812 000,00

Statement of changes in equity	07-09.2021	07-09.2020	01-09.2021	01-09.2020
the period				
2. Supplementary capital (fund) at the beginning of the period	49 500 000,00	-	49 500 000,00	-
2.1. Changes in supplementary capital (fund)	-	49 500 000,00	-	49 500 000,00
2.2. Closing balance of supplementary capital (fund)	49 500 000,00	49 500 000,00	49 500 000,00	49 500 000,00
3. Opening balance of revaluation reserve (fund)	-	-	-	-
3.1. Changes in revaluation reserve (fund)	-	-	-	-
3.2. Revaluation reserve (fund) at the end of the period	-	-	-	-
4. Other reserve capitals (funds) at the beginning of the period	-	-	-	-
4.1. Changes in other reserve capital (funds)	-	-	-	-
4.2 Other reserve capital (funds) at the end of the period	-	-	-	-
5. Opening balance of profit (loss) from previous years	(79 547,18)	(131 726,71)	(79 547,18)	(131 726,71)
5.1. Opening balance of profit from previous years	-	-	-	-
5.2. Opening balance of profit from previous years, after adjustments	-	-	-	-
5.3. Closing balance of profit from previous years	-	-	-	-
5.4. Opening balance of loss from previous years	79 547,18	131 726,71	79 547,18	131 726,71
5.5. Opening balance of loss from previous years, after adjustments	79 547,18	131 726,71	79 547,18	131 726,71
5.6. Closing balance of loss from previous years	79 547,18	131 726,71	79 547,18	131 726,71
5.7. Closing balance profit (loss) from previous years	(79 547,18)	(131 726,71)	(79 547,18)	(131 726,71)
6. Net result	(20 043,26)	(116 549,61)	(20 043,26)	(34 844,64)
II. EQUITY (FUND) AT THE END OF THE PERIOD (SB)	55 254 137,33	55 145 428,65	55 254 137,33	261 978,26
III. EQUITY (OWN FUND), AFTER PROPOSED DISTRIBUTION OF PROFIT (COVERAGE OF LOSS)	55 254 137,33	55 145 428,65	55 254 137,33	261 978,26

d. Separate Statement of Cash Flows

Cash flow statement	07-09.2021	07-09.2020	01-09.2021	01-09.2020
A. CASH FLOWS FROM OPERATING ACTIVITIES				
I. Net profit (loss)	(20 043,26)	(116 549,61)	21 684,51	(34 844,64)
II. Total adjustments	4 568,69	121 219,36	(65 209,53)	(2 679,11)
1. Amortisation and depreciation	-	80,22	24,98	240,66
2. Foreign exchange gains (losses)	-	-	-	-
3. Interest and shares in profits (dividends)	-	-	-	-
4. Profit (loss) on investment activity	-	-	-	-
5. Change in the balance of provisions	-	-	-	-
6. Change in inventories	-	-	-	-
7. Change in receivables	(7 782,08)	102 259,64	(53 004,78)	(23 471,02)
8. Change in short-term liabilities, excluding loans and borrowings	10 455,88	18 470,83	(9 781,62)	21 975,27
9. Change in prepayments and accruals	1 894,89	408,67	(2 448,11)	(1 424,02)
10. Other adjustments	-	-	-	-
III. Net cash flow from operating activities (I+II)	(15 474,57)	4 669,75	(43 525,02)	(37 523,75)
B. CASH FLOWS FROM INVESTING ACTIVITIES				
I. Inflows	-	-	-	-
1. Disposal of intangible assets and tangible fixed assets	-	-	-	-
2. Disposal of investments in real property and intangible assets	-	-	-	-
3. From financial assets, including:	-	-	-	-
4. Other inflows from investing activities	-	-	-	-
II. Expenses	-	-	-	-
1. Acquisition of intangible fixed assets and tangible fixed assets	-	-	-	-
2. Investments in real property and intangible assets	-	-	-	-
3. For financial assets, including:	-	-	-	-
4. Other investment expenses	-	-	-	-
III. Net cash flow from investing activities (I-II)	-	-	-	-
C. CASH FLOWS FROM FINANCING ACTIVITIES				
I. Inflows	-	-	-	-
1. Net inflows from the issue of shares and other capital instruments and capital contributions	-	-	-	-
2. Loans and borrowings	-	-	-	-

Cash flow statement	07-09.2021	07-09.2020	01-09.2021	01-09.2020
3. Issue of debt securities	-	-	-	-
4. Other financial inflows	-	-	-	-
II. Expenses	-	-	-	-
1. Acquisition of own shares (stocks)	-	-	-	-
2. Dividends and other payments to shareholders	-	-	-	-
3. Expenses related to profit distribution other than payments to shareholders	-	-	-	-
4. Repayment of loans and borrowings	-	-	-	-
5. Redemption of debt securities	-	-	-	-
6. On the account of other financial liabilities	-	-	-	-
7. Payments of liabilities arising from financial leasing agreements	-	-	-	-
8. Interest	-	-	-	-
9. Other financial expenses	-	-	-	-
III. Net cash flows from financial activities (I-II)	-	-	-	-
D. TOTAL NET CASH FLOWS (A.III±B.III±C.III)	(15 474,57)	4 669,75	(43 525,02)	(37 523,75)
E. BALANCE SHEET CHANGE IN CASH, INCLUDING	(15 474,57)	4 669,75	(43 525,02)	(37 523,75)
F. OPENING BALANCE OF CASH	37 865,62	69 830,75	65 916,07	112 024,25
G. CLOSING BALANCE OF CASH (F±D)	22 391,05	74 500,50	22 391,05	74 500,50

4. Information on the principles adopted in the preparation of the report

The financial statements were prepared in accordance with the principles set forth in the Polish Accounting Act of 29 September 1994 binding on entities operating as a going concern.

The Company prepares its profit and loss account according to the nature of expenses.

The Company has not changed its accounting policy as compared to previous reports. In the financial statements, the Company presents economic events in accordance with their economic content.

The financial result of the Company for the quarter of the financial year includes all revenue earned and due to it and the costs associated with this revenue, according to the accrual principle, matching principle and prudence principle.

Profit and Loss Account.

1. Revenues.

Sales revenue includes undoubtedly due or received net amounts from sales, i.e. reduced by due value added tax (VAT), recognised in the periods to which they relate.

2. Costs.

The Company keeps the record of costs by type.

The Company's financial result is also affected by:

- other operating revenues and costs indirectly related to the Company's activity in the scope of, among others, profits and losses for the disposal of non-financial fixed assets, revaluation of non-financial assets, creation and release of provisions for future risk, penalties, fines and compensation, receipt or transfer of donations, random events,
- financial income from dividends (shares in profits), interest, profits from the sale of investments, revaluation of investments, surplus of positive exchange rate differences over negative ones,
- financial costs on account of interest, losses from the sale of investments, revaluation of investments, surplus of negative exchange rate differences over positive ones.

3. Taxation

The gross financial result is corrected by:

- current corporate income tax liabilities,
- deferred income tax assets and liabilities

3.1. Current income tax.

Current corporate income tax liabilities are recognised pursuant to the tax regulations.

3.2. Deferred income tax.

Due to temporary differences between the value of assets and liabilities shown in the books of accounts and their tax value and the tax loss deductible in the future, the Company recognizes a provision and determines deferred income tax assets.

Deferred income tax assets are determined as the future foreseeable amount, deductible from income tax in respect of deductible temporary differences which will result in future reduction of the tax base as well as deductible tax loss, calculated in accordance with the prudence principle.

The deferred income tax provision is created at the amount of the income tax payable in the future in connection with temporary differences, i.e. differences which result in higher income tax basis in the future.

The deferred portion recognised in the profit and loss account is the difference between the opening and close balances of deferred income tax assets and liabilities,

in the reporting period. The deferred tax assets and liabilities, concerning operations cleared with equity, are also recognized as the equity.

Balance sheet.

Fixed assets.

1. Intangible assets are valued according to acquisition prices or manufacturing costs for development works, reduced by accumulated amortization write-offs and possible write-offs due to permanent loss of value.

Intangible assets include:

- costs of development work completed with a positive result, which will be used for production,
- acquired goodwill,
- acquired property rights, related rights, licences and concessions,
- acquired rights to inventions, patents, trademarks, utility models,
- know-how.

Intangible assets with a unit value of no more than 10 thousand zloty at the date of acceptance for use are written down once to amortisation costs.

2. Tangible assets are valued at purchase price or manufacturing cost less accumulated depreciation and revaluation write-offs.

In justified cases, the purchase price or production cost of tangible assets under construction includes exchange rate differences from valuation of receivables and liabilities as at the balance sheet date and interest on liabilities financing the production or purchase of tangible assets.

For tax purposes, the depreciation rates resulting from the Corporate Income Tax Act of 15 February 1992 defining the amount of depreciation as deductible costs were adopted. Assets with an expected useful life of no more than one year and an initial value of no more than 10 thousand zloty are written off once at the commissioning date.

Tangible assets are depreciated according to the linear method starting from the month following the month of taking into utilisation in the period corresponding to the estimated period of their economic utility.

The balance sheet depreciation rates used are straight-line and they are equal to tax rates.

3. Tangible assets under construction are measured at total costs directly attributable to their acquisition or manufacture, less accumulated impairment losses. In justified cases, the purchase price or production cost of tangible assets under construction includes exchange rate differences from valuation of receivables and liabilities as at the balance sheet date and interest on liabilities financing the production or purchase of tangible assets.

4. Long-term investments.

Shares or stocks in related entities are valued at purchase price less impairment losses. Shares or stocks in other entities (listed on the Warsaw Stock Exchange) are valued at market price. The Company uses the method of disposing of financial assets, according to which disposals of financial assets are measured in turn at the prices of those assets which the Company acquired earlier ("FIFO").

Current assets

1. Tangible components of current assets are valued according to acquisition price or manufacturing costs after deduction of revaluation write-offs, not higher than their net selling prices as at the balance sheet date.

The goods are valued at the purchase price increased by the tax on civil law transactions. Goods as off-balance sheet items, constituting contingent liabilities, are valued at the price resulting from a commission, deposit or other agreement.

2. Receivables are valued at the amount of the payment due, in accordance with the prudent valuation principle (after deduction of write-offs).

Receivables expressed in foreign currencies are valued as at the balance sheet date at the average exchange rate announced by the National Bank of Poland for a given currency.

Exchange rate differences on receivables expressed in foreign currencies as at the date of valuation and upon payment are classified as financial costs and revenues respectively. In justified cases, they relate to the cost of production of products, services or the purchase price of goods, as well as the production of fixed assets or intangible assets (to increase or decrease these costs respectively).

3. Short-term investments.

Shares and stocks are valued at the lower acquisition price and market price (value), depending on which one is higher.

Cash is disclosed at their nominal value.

Expressed in foreign currencies are valued as at the balance sheet date at the average exchange rate announced by the National Bank of Poland for a given currency.

Other short-term investments are valued at purchase price plus transport and customs charges. The purchase price also includes exchange rate differences from the valuation of receivables and liabilities as at the balance sheet date and interest on liabilities financing their purchase.

4. Prepayments and accruals

Prepayments are recognised if the costs incurred relate to future reporting periods.

Accrued expenses are recognised in the amount of probable liabilities in the current reporting period.

Accrued expenses include the value of benefits provided to the entity which have not been invoiced, and under the agreement, the contractor was not obliged to invoice it.

Called-up capital – did not occur in the company.

Own shares (stocks) – presentation according to the purchase price of the stocks together with transaction costs.

Equity and liabilities

1. Equity is entered in the accounting books at nominal value according to their types and principles laid down by law, statute or articles of association.

The share capital of a capital company is disclosed in the amount specified in the agreement or statute and entered in the court register. Declared but not paid capital contributions are recognized as due capital contributions on the assets side.

The supplementary capital is created from the distribution of profit, transfer from the revaluation reserve and the surplus of the issue value of shares over their nominal value less the costs of this issue. The remainder of the issuance costs is included in the financial costs.

2. Provisions are created for certain or highly probable future liabilities and are valued as of the balance sheet date at a reliably estimated value. Provisions are included respectively in other operating costs, financial costs, depending on the circumstances of future liabilities.

Provisions are created on:

- losses from business transactions in progress,
- guarantees and sureties granted,
- the effects of pending court proceedings and appeals.

3. Liabilities are measured as at the balance sheet date at the amount due, except for liabilities whose settlement under the agreement is effected by the release of financial

assets other than cash or exchange for financial instruments – which are measured at fair value.

Liabilities expressed in foreign currencies are valued as at the balance sheet date at the average exchange rate announced by the National Bank of Poland for a given currency.

Exchange rate differences relating to liabilities expressed in foreign currencies as at the valuation date and upon settlement are classified as follows: negative to financial costs and positive to financial income, respectively. In justified cases, they relate to the cost of production of products, services or purchase price of goods, as well as the production of tangible assets or intangible assets.

Consolidated Report.

The Company has determined the goodwill of its subsidiaries as of the date of formation of the group, July 6, 2020, in the amount of PLN 48,323,910.15. The entire amount of goodwill was allocated to the subsidiary iSRV Zrt. According to the regulations, this value is subject to amortization, so the Company adopted the amortization period of goodwill, which is 100 years. This means that in each financial year the amortization of goodwill will reduce the consolidated financial result by the amount of PLN 483,239.10.

5. Shareholding

As at the report date, the shareholder structure was as follows:

SHAREHOLDER	NUMBER OF SHARES	SHARE %	NUMBER OF VOTES	SHARE %
Bit Pyrite Ltd	38 500 000	66,24%	38 500 000	66,24%
Others	19 620 000	33,76%	19 620 000	33,76%
SUMMARY	58 120 000	100,00%	58 120 000	100,00%

6. Other information

a. Information on the impact of COVID-19

COVID-19 has a significant economic, business and development impact.

Due to the extended delivery time in international orders of necessary tools and parts, the group's product development has been extended.

The COVID-19 outbreak also affected sales activities. Conference and trade show opportunities were suspended, making it difficult to present products to potential customers. The risk in sales is higher as travel restrictions make it difficult to make personal appointments. The Company is currently implementing an alternative marketing strategy to achieve the planned business objectives. The situation around COVID-19 has also hindered the development of the business in Poland.

b. Information on employment

During the period covered by the report, Polaris IT Group SA did not employ any staff under a contract of employment and still does not employ anyone under a contract of employment. All work is carried out by business entities on behalf of the Company, or personally by the Management Board and the Proxy.

The iSRV subsidiary employed as of June 30, 2021. 18 full-time equivalent employees. The IAI subsidiary had no employees.

c. Research and development activities

The company, through its subsidiary iSRV, incurs research and development expenses for product and service development.

In the third quarter of 2021. iSRV continued to develop IT security systems, data processing and storage solutions, and enhance its proprietary online education platform. In the changed global economic environment, iSRV expects the market for such products and services to grow significantly.

The company is currently implementing a marketing plan that includes rebranding various online safety and education products and services to support international sales efforts.

d. Information on the capital group

The company formed the capital group on July 6, 2020. Polaris IT Group SA holds 100% of the shares in Industrial Artificial Intelligence Kft. (IAI), and this company holds 100% of the shares of iSRV Zrt. (iSRV). IAI has no sales revenue generating activities, while iSRV is currently the company in Polaris IT Group with the largest scale of operations.

iSRV Zrt. is a company incorporated under Hungarian law, with its registered office in Budapest. Its legal form corresponds to that of a Polish joint-stock company (private - Hungarian law distinguishes private joint-stock companies and public listed companies). The financial statements are consolidated using the full method.

Industrial Artificial Intelligence Kft. is a Hungarian company with its registered seat in Budapest. Its legal form corresponds to a Polish limited liability company.

IAI owns 100% of the shares of iSRV Zrt. and has no other activities.

7. Contact details

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