Annual Report 2020

WOOD & Company Financial Services, a.s.

CONTENTS

REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of WOOD & Company Financial Services, a.s. (hereinafter referred to as the "Company" or "WOOD & Company") submits the accompanying Report of the Board of Directors on business activities for 2020.

Company introduction

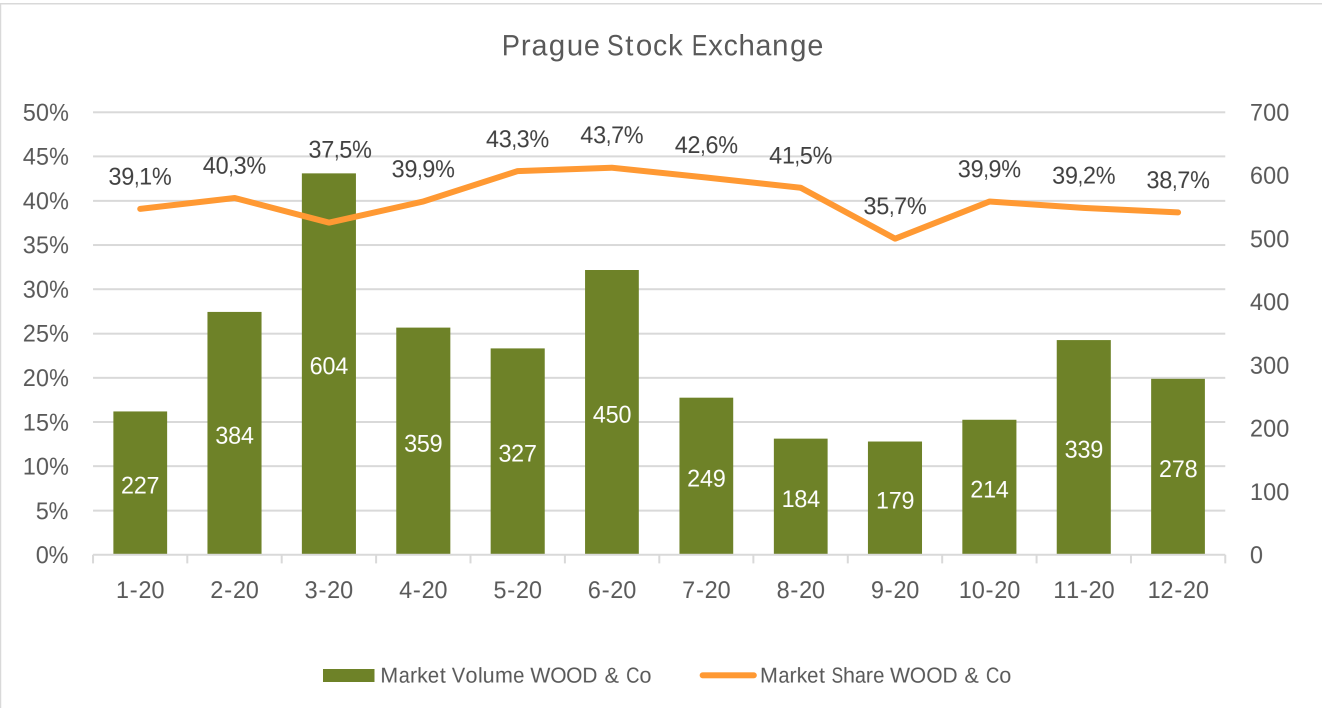
WOOD & Company Financial Services, a.s., is a leading independent investment bank focused on the markets of Central and Eastern Europe. Founded in 1991, WOOD & Company has been one of the trading founders and pioneers in Eastern European markets. In 2014, WOOD & Company established a branch in Bucharest and, thanks to the acquisition of one of the largest brokerage houses in Italy, a successful "ready-to-deal" branch of WOOD & Company was established in Milan. In conjunction with other branches, the Company employed a professional team of more than 200 people in six regional offices and a marketing center in London in 2020.

Company performance in 2020

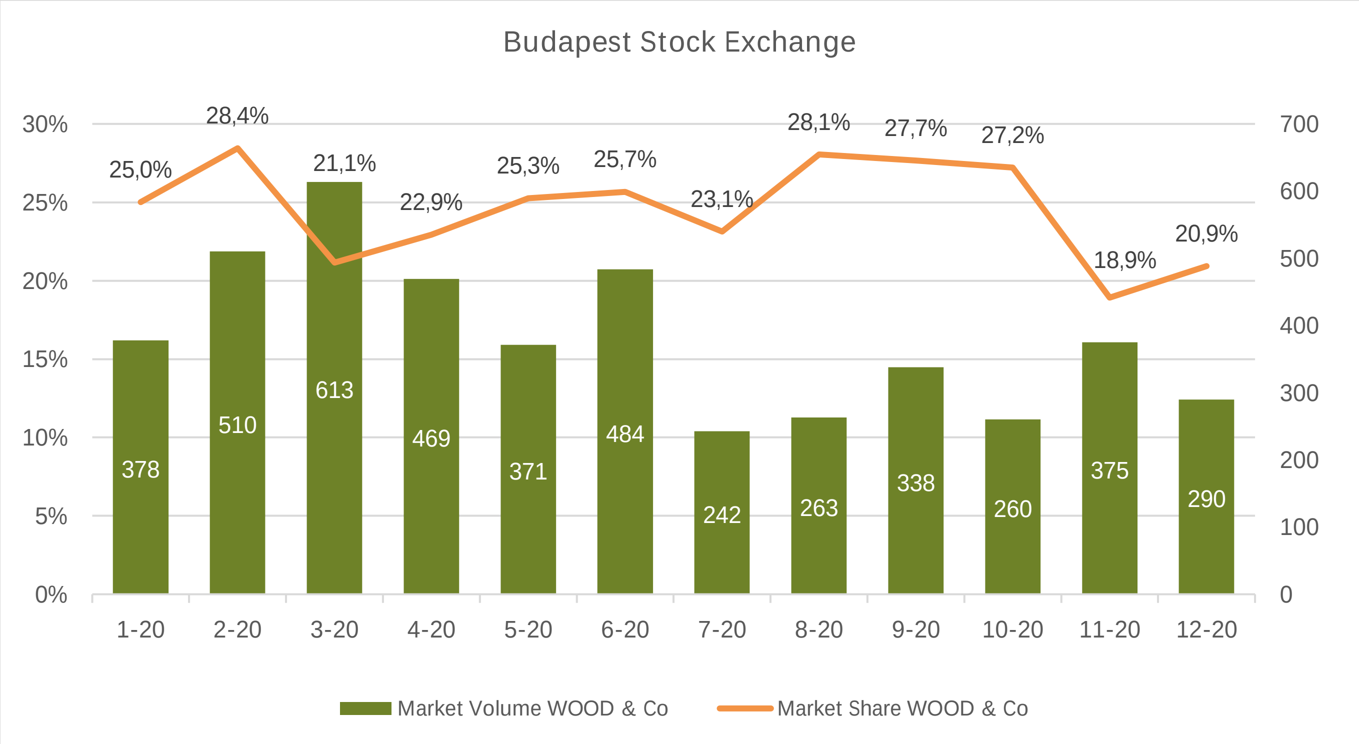
The year 2020 was significantly affected in all areas by the COVID-19 pandemics, which hit the world in March 2020 and is still ongoing. The Company's activity during the pandemics was primarily aimed at ensuring the health and safety of its employees and their families. Already at the first reports of an impending pandemics, a crisis team consisting of members of top management was set up. As soon as the pandemics broke out, the Company was ready for the situation and reacted immediately. We took the necessary steps and ensured the standard operation of the entire Company from the home office mode.

The first wave of a pandemics created high volatility in the financial markets and a significant increase in trading volume. In response, the Company suspended its trading activities and focused mainly on maximizing efficiency in settling trades. High volume of trades brought with it negative effect in form of multiple increases in collaterals on stock exchanges. This problem appeared to be the key problem of the Company associated with the pandemicss. However, thanks to the support of the financing banks and the Company's partners, the situation was stabilized in June 2020.

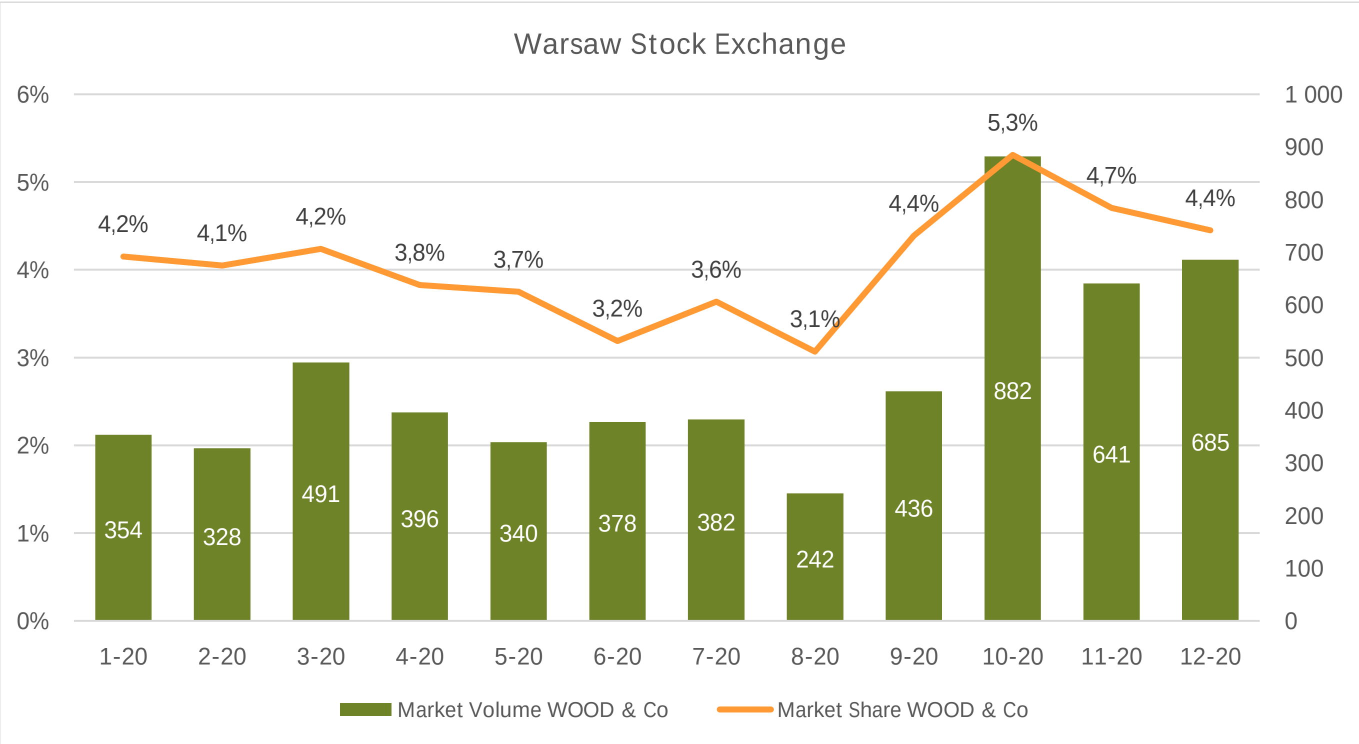
On the Prague Stock Exchange, we again maintained the traditional position of by far the largest player in terms of market share and trading volume. Our market share was comparable to the previous year and reached 40.05%.

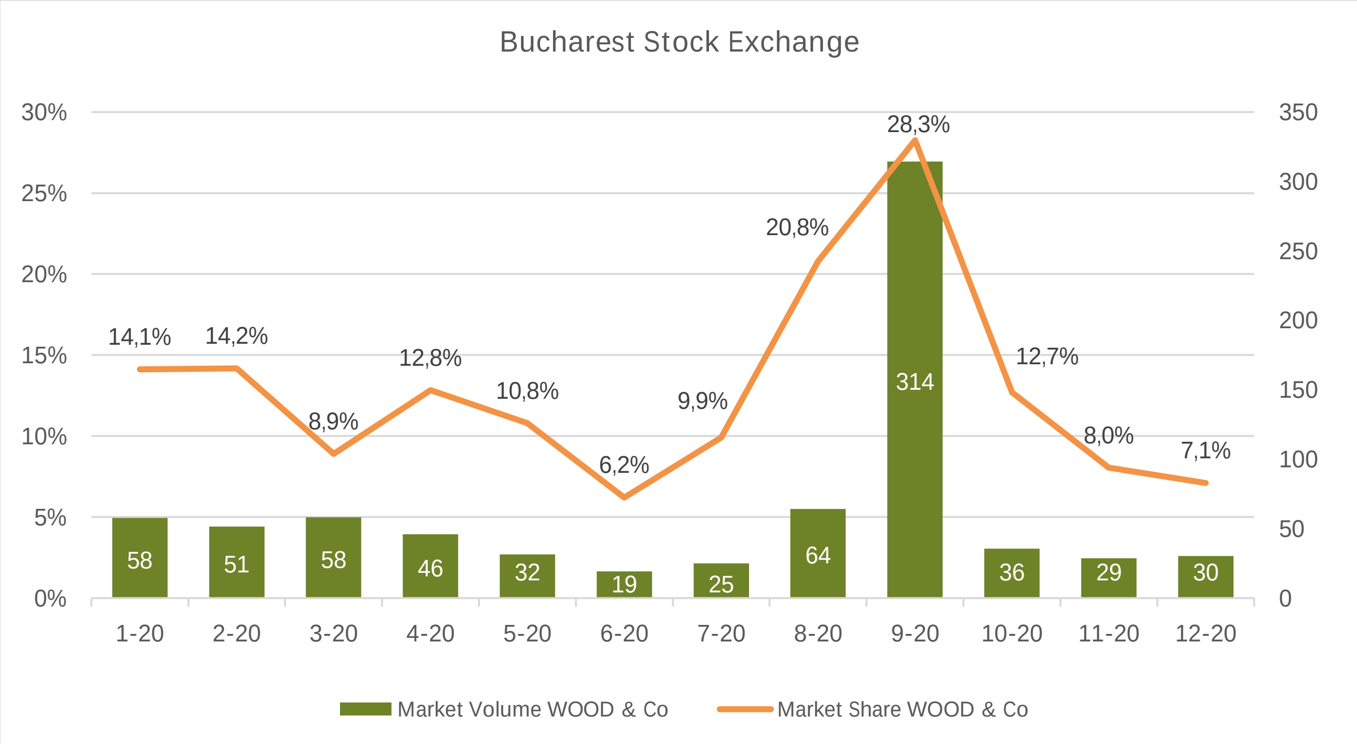


The Company ranked second on the Budapest Stock Exchange with a market share of 23.98%.



The company has traditionally been active in other European markets, such as Warsaw and Bucharest.





Due to the high uncertainty caused by the first wave of the pandemics, investment banking projects were mostly postponed to later periods of 2020. The market adapted to the situation and despite the ongoing pandemics and its second wave there were no further project' delays.

In asset management, the recently established online investment platform for retail investors PORTU gained great importance during 2020, offering the general public the opportunity to invest in exchange-traded funds, the so-called ETFs. Due to the low fees possible due to the considerable automation of the system, PORTU is becoming increasingly popular, as it offers clients a safe way to invest and value their funds. Despite the high market volatility, the vast majority of the platform's clients ended the year with a value for money. Individual Asset Management (HNWI) enjoyed a similar development and clients ended the year with a value for money.

Projected outlook

At present, it is very difficult to estimate in which direction the situation will develop in 2021, and this task is even more difficult for the coming years. However, contemporary world and with it our Company seems to be much more prepared than at the beginning of the pandemics. We start the year 2021 with regular comprehensive testing of employees and their family members, which significantly increases the safety and comfort of employees and allows us to effectively combine work from office and home office. Although many of us used to dream of working full time from home, the reality of the first wave showed us that this is not the path most of us would like to take. We thus enable employees to adapt their work to their individual preferences and needs, thus achieving the maximum possible efficiency and ensuring the smooth running of the Company without any problems.

In the area of trading and investment banking, we have launched a standard business year comparable to the period before the pandemics, and we expect it to last in this spirit throughout the year. We plan significant development mainly in the area of asset management, both for qualified and retail investors. Our qualified investors can look forward to a new online

environment being created within the wealth management project, which will allow a much more detailed analysis of the investments made.

In the retail investor sector, we have embarked on a campaign to increase financial education, which aims to explain the importance of financial planning, insight into the world of value for money and dismiss the most common myths associated with investing.

We therefore look positively at the future development of the Company. Thanks to the reliable and dedicated work of our employees, above-standard relationships with clients and financing banks, we have been able to withstand many challenges in the past. We believe that whatever the economic and social impacts, we can continue to face them together.

In Prague, on 16 April 2021

Vladimír Jaroš
Vice-Chairman of the Board of Directors

COMPANY OVERVIEW

Company name:	WOOD & Company Financial Services, a.s. (the "Company")
Registered office:	Praha 1 – Nové Město, náměstí Republiky 1079/1a, zip code 110 00
Business reg. No. (IČ):	265 038 08
Legal form:	Joint Stock Company
Registered capital:	CZK 445,500,000; paid up: CZK 445,500,000
Owner:	WOOD & Company Group S.A.
Accounting period:	1 January 2020 – 31 December 2020
Auditor:	Ernst & Young Audit, s.r.o.

Key indicators for 2020:

- Net fees and commissions were CZK 484 million.
- Net profit from financial operations from trading and investment activities amounted to CZK 171 million.
- Operating income totaled CZK 685 million.
- Operating expenses were CZK 625 million.
- Total equity as at 31 December 2020 amounted to CZK 804 million.

Scope of business

Activities of a securities trader in the scope of main investment services:

a) Pursuant to Section 4, par. 2 a) of the Act on Capital Market Business, accepting and handing over instructions concerning investment instruments, as defined in Section 3, par. 1 a), b), c), d), e), f), g), h), i), j) and k) of the same Act;
b) Pursuant to Section 4, par. 2 b) of the Act on Capital Market Business, carrying out instructions concerning investment instruments for client account, as defined in Section 3, par. 1 a), b), c), d), e), f), g), h), i), j) and k) of the same Act;
c) Pursuant to Section 4, par. 2 c) of the Act on Capital Market Business, trading with investment instruments for own account, as defined in Section 3, par. 1 a), b), c), d), e), f), g), h), i), j) and k) of the same Act;
d) Pursuant to Section 4, par. 2 d) of the Act on Capital Market Business, management of client assets if they include an investment instrument, at the sole discretion under contractual arrangements, as defined in Section 3, par. 1 a), b), c), d), e), f), g), j) and k) of the same Act;
e) Pursuant to Section 4, par. 2 e) of the Act on Capital Market Business, investment advisory relating to investment instruments, as defined in Section 3, par. 1 a), b), c), d), e), f), g), h), i), j) and k) of the same Act;
f) Pursuant to Section 4, par. 2 h) of the Act on Capital Market Business, subscription or placement of investment instruments with an obligation to subscribe, as defined in Section 3, par. 1 a), b), c), d), e), f), g), h), i), j) and k) of the same Act;
g) Pursuant to Section 4, par. 2 i) of the Act on Capital Market Business, subscription or placement of investment instruments without an obligation to subscribe, as defined in Section 3, par. 1 a), b), c), d), e), f), g), h), i), j) and k) of the same Act.

Activities of a securities trader in the scope of supplementary investment services:

a) Pursuant to Section 4, par. 3 a) of the Act on Capital Market Business, custody and administration of investment instruments including related services, as defined in Section 3, par. 1 a), b), c), d), e), f), g), h), i), j) and k) of the same Act;
b) Pursuant to Section 4, par. 3 b) of the Act on Capital Market Business, provision of a loan or borrowing to a client to facilitate trade with an investment instrument in which the provider participates, as defined in Section 3, par. 1 a), b), c), d), e), f), g), h), i), j) and k) of the same Act;
c) Pursuant to Section 4, par. 3 c) of the Act on Capital Market Business, advisory services on capital structure, industrial strategy and related issues, as well as the provision of advisory and services relating to company transformations or business transfers, as defined in Section 3, par. 1 a) of the same Act;
d) Pursuant to Section 4, par. 3 d) of the Act on Capital Market Business, provision of investment recommendations and analyzes of investment opportunities or similar general recommendations relating to trading in investment instruments, as defined in Section 3, par. 1 a), b), c), d), e), f), g), h), i), j) and k) of the same Act;
e) Pursuant to Section 4, par. 3 e) of the Act on Capital Market Business, conducting foreign exchange operations related to the provision of investment services, as defined in Section 3, par. 1 a) of the same Act;
f) Pursuant to Section 4, par. 3 f) of the Act on Capital Market Business, services related to subscription or placement of investment instruments, as defined in Section 3, par. 1 a), b), c), d), e), f), g), h), i), j) and k) of the same Act.

ADDITIONAL AUTHORIZATIONS

i. Receiving funds or investment instruments from clients
ii. Systematic internalisation
iii. Authorization to organize public auctions of securities
iv. Intermediary or other procurement activities for financial institutions domiciled in the European Union concerning the purchase of claims on documentary credits issued by banking entities in the Republic of Cuba
v. Administration of property comparable to management in accordance with Article 15 of the Act No. 240/2013 Coll., on Management Companies and Investment Funds, as amended
vi. Arrangement of deposits through the sale of deposit certificates and related advisory (Section 6 a), par. 2)

STATUTORY BODY AND SUPERVISORY BOARD

BOARD OF DIRECTORS FROM 1 JANUARY 2020 TO 31 DECEMBER 2020

Ing. Jan Sýkora
Chairman of the Board of Directors since 1 February 2018

Jan Sýkora began his career in 1994, when he founded WOOD & Company Financial Services, a.s. Since 1995, he has been a company's partner managing its Czech operations. In 2001, together with Vladimír Jaroš, he assumed the firm from the founding shareholders and became the Chairman of the Board of Directors of Wood & Company Financial Services a.s. Jan Sýkora is responsible for management and strategic decisions within the WOOD & Co. Group. In 2009, he led negotiations on the acquisition of CREDIT SUISSE ASSET MANAGEMENT investiční společnost, a.s.

Ing. Vladimír Jaroš
Vice-Chairman of the Board of Directors since 1 February 2018

Vladimír Jaroš has been with the group since 1994; in 1997 he took over the responsibility for managing WOOD & Co Financial Services. At the same time, he was directly involved in many significant transactions in the region, including the largest privatizations in telecommunications, energy and banking in the Czech Republic, Slovakia and Poland.

Ing. Ľubomír Šoltýs
Member of the Board of Directors since 1 February 2018

Lubomír Šoltýs has been working in the WOOD & Co Group since 1996 and was instrumental in the transformation of the Slovak WOOD & Co branch in a highly regarded provider of financial advisory services. Within the group, he is primarily involved in transactions in Slovakia and is also responsible for the Group's activities in Private Equity and Merchant Banking.

The composition of the Board of Directors did not change in the decisive period.

SUPERVISORY BOARD OF THE FUND FROM 1 JANUARY 2020 TO 31 DECEMBER 2020

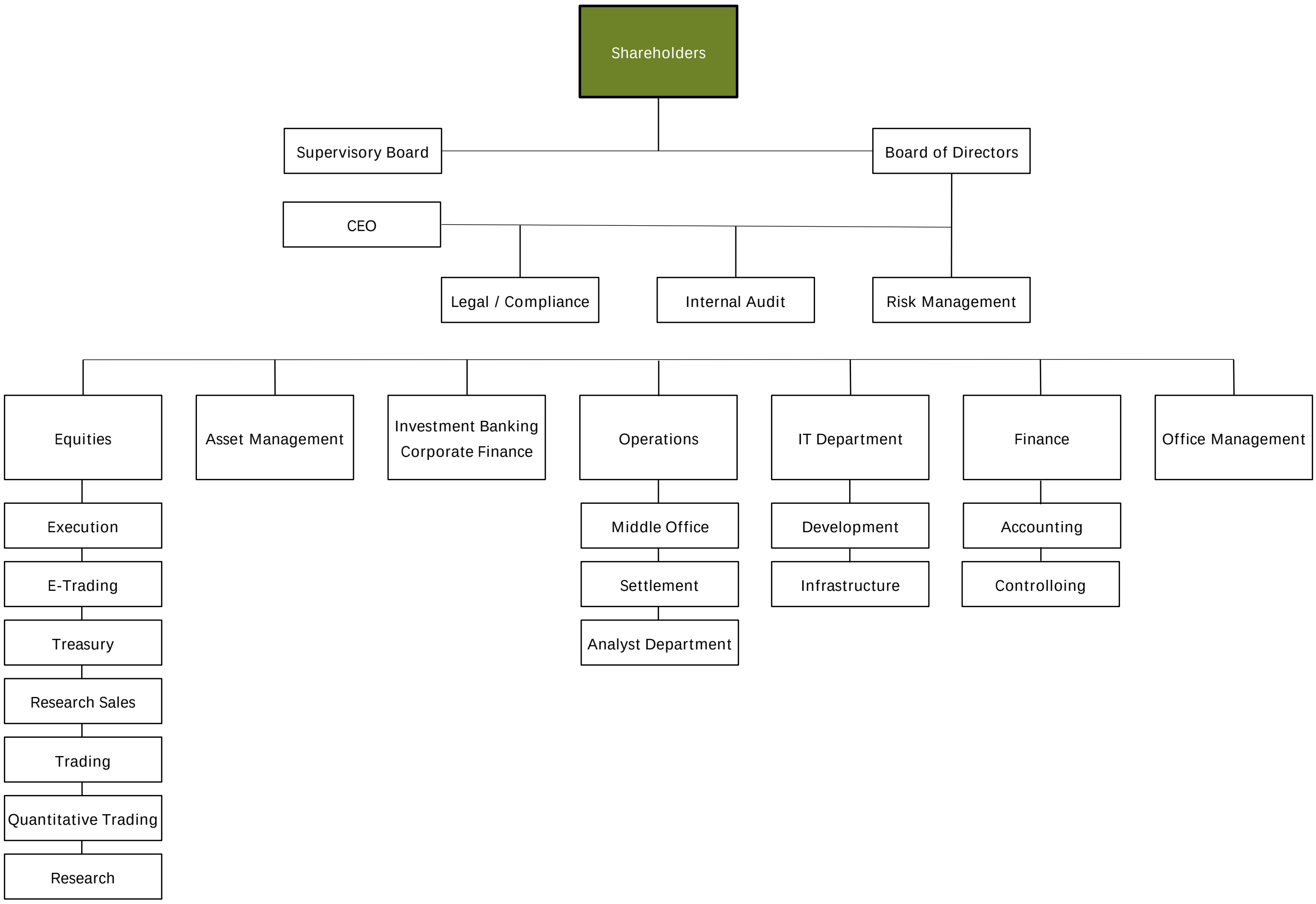
Jiří Jirman
Chairman of the Supervisory Board since 6 September 2018

Marek Herold
Member of the Supervisory Board from the date of entry in the register

Mgr. Vojtěch Láska, LL.M.
Member of the Supervisory Board since 1 February 2018

The composition of the Supervisory Board did not change in the decisive period.

Organizational structure of the Company



Company profile

The accompanying Annual Report for 2020 has been submitted on behalf of WOOD & Company Financial Services, a.s., business registration number (IČ): 26503808, with its registered office at náměstí Republiky 1079/1a, 110 00 Prague 1, Czech Republic (hereinafter referred to as the "Company"). The Annual Report for 2020 has been prepared with all the requisites stipulated by applicable legal regulations, in particular Act No. 563/1991 Coll., on Accounting, as amended (hereinafter referred to as the "Act on Accounting"), Act No. 90/2012 Coll., on Business Corporations, Act No. 256/2004 Coll., on Capital Market Business (hereinafter referred to as the "Capital Market Business"), Decree No. 501/2002 Coll., implementing certain provisions of Act No. 563/1991 Coll., on Accounting, as amended, for the accounting entities that are banks and other financial institutions, Decree No. 163/2014 Coll., on the performance of the activities of banks, credit unions and investment firms and Decree No. 427/2013 Coll., on the submission of statements by investment firms. The Company is registered in the Commercial Register maintained with the Municipal Court in Prague, Section B, Insert 7484.

Research and development costs

In 2020, the Company invested CZK 13.5 million in information technology.

Branches

The Company has branches in the following countries:

- WOOD & Company Financial Services United Kingdom, with its registered office at 1 Ropemaker Street, EC2Y 9HT London
- WOOD & Company Financial Services Romania, with its registered office at Lamda Office Building, 7A Sos. Bucuresti-Ploiesti 013682 Bucharest 1
- WOOD & Company Financial Services Poland, with its registered office at 59 Złota, 00-120 Warsaw
- WOOD & Company Financial Services Slovakia, with its registered office at Gorkého 4, 811 01 Bratislava
- WOOD & Company Financial Services Italy, with its registered office at Via Luigi Settembrini 35, 20124 Milan
- WOOD & Company Financial Services Ireland with its registered office at Suite 207 3013, Lake Drive, City West Campus, Dublin 24 D24 PPT3, Citywest, Dublin (was founded on 30 November 2020)

Environmental protection and labor law relations

Due to its scope of business, the Company is not considered to be a significant polluter of the environment. The Company complies with legal requirements for environmental protection, health protection and occupational safety and has implemented projects and procedures aimed at improving the environment as well as employee health care.

Acquisition of treasury shares

The company did not acquire any treasury shares.

Risk management

The risk management department governs the main policies, strategies and procedures (including policies for hedging all major types of planned transactions using hedging derivatives) that the Company applies in risk management, in particular the process of identifying risks arising from individual activities, work processes and systems, including operational risks, analysis of the risk level acceptable by the securities trader, definition of risk owners and persons responsible for monitoring and managing risk. The risk management department addresses, creates and proposes risk management methods, determines the duties of individual members of the statutory body, the Supervisory Board and employees pertaining to risk management in the Company. It evaluates the success rate, appropriateness and effectiveness of the risk management methods used and approves any changes. In addition, the department sets up control mechanisms to protect the risk management system against failure, especially with regard to individual investment instruments, markets and counterparties entering into business transactions with WOOD & Company Financial Services, a.s. It reviews the Company's positions as well as the overall open positions with customers, and monitors compliance with position limits and capital adequacy.

The risk management department selects procedures for identifying, measuring, monitoring and limiting risks, procedures for determining the fair values of instruments, the set of limits used in risk management, including procedures for exceeding limits. It determines the obligations of employees participating in the investment process with regard to compliance with the set limits.

RISK MANAGEMENT COMMITTEE

The Risk Management Committee is a permanent team of at least four members, consisting of the CEO, the Risk Manager, the Head of the Operations Department and the Head of the Finance Department. Heads of other departments may also be invited to attend Committee meetings, depending on the agenda to be addressed. The Chairman of the Risk Management Committee is the Chief Executive Officer; during his absence, the meetings are chaired by the Risk Manager. The members of the Committee are appointed and recalled by the CEO on the motion of the Board of Directors. The Risk Management Committee meets irregularly to resolve ad hoc situations; meetings may be convened by any member of the Committee or a member of the Board of Directors. Minutes are made of each meeting, including any conclusions the observance of which is supervised by the Risk Manager. The Risk Management Committee shall take its decisions by a simple majority of votes. In the event of a tie, the Chairman shall have the casting vote. The Chairman has the right to veto any item on the agenda as well as any decision. The CEO may, on the recommendation of the Risk Management Committee, order the immediate implementation of his decision to any organizational unit of the Company, with the exception of internal audit.

Risks monitored and managed in the Company are as follows:

a) strategic risk;
b) group operations;
c) capital adequacy risk;
d) operational risk;
e) risk of human error;
f) market (commercial) risk;
g) credit risk;
h) liquidity risk;
i) interest rate risk;
j) currency risk;
k) financial risk;
l) legal, regulatory and tax risk; and
m) concentration risk.

MARKET RISK MANAGEMENT

From the perspective of a securities trader, this is the most significant risk. The market risk comprises any loss that may occur:

- due to the overall market situation, its sentiment or any market emergencies;
- from a position held (taken) in one of the investment instruments, in the event of an unfavorable movement in market prices;
- from the position taken with respect to a client transaction, if such a transaction is not properly substantiated, or is challenged by the client.

The market risks arise mainly from business transactions, which represent a liability, future liability, receivable or future receivable for the Company.

Based on the type of investment instrument and changing market price, the Company categorizes the market risks as follows:

- price risks, and
- counterparty risks.

Price risk

Price risk is managed through a structure of limits for individual departments, namely for individual markets or investment instruments. Any changes in the limits are proposed by the Risk Manager or the Board of Directors and approved by the Board of Directors or CEO. The limits are compiled with regard to the trading volumes executed in previous periods in individual segments, volatility and liquidity of markets and instruments.

Price risk is monitored using the Value at Risk (VAR) model on a daily basis. Any excess over the limits is reported to the Head of Trading and CEO.

Counterparty risk

The so-called account opening procedure has been used to determine counterparty parameters. The Company obtains and analyzes selected information about the counterparty, and the counterparty provides the Company with its financial statements, on the basis of which the counterparty's creditworthiness is assessed internally (the so-called counterparty self-assessment) and the internal limit is assigned. The Company may also use an external rating if it has been assigned by a reputable rating company (Moody's, Standard & Poor's, Fitch, Czech Rating Agency, etc.).

Based on this assessment as well as later experience with the counterparty, the client is assigned a limit on the total open position. The allotted limit is determined particularly by the type of the counterparty, its rating, equity, the estimated trade volumes, reliability in settlement of trades as well as the Company's ability to finance outstanding trades with the counterparty in the event of non-compliance by the counterparty.

In general, a loss from a certain market position in a specified period can be quantified as:

Potential loss = Unsettled position * Adverse change in market price

The main risk is that the market situation, conditions or price will develop in an unfavorable direction deviating from expectations.

This type of risk is covered by the Company's capital.

CREDIT RISK MANAGEMENT

The Company provides loans within the WOOD Group as well as to other entities. At the end of 2020, the loan principal amount amounted to CZK 485 million (loans within the group amounted to CZK 63 million, loans to other entities amounted to CZK 422 million). The collateral valuation and the assessment of the risk level for these loans are monitored by the corporate finance department, which also monitors the repayment and the situation of individual debtors. Repayment is monitored by the Board of Directors as well. The decision to grant the loans can only be made by the Board of Directors.

In addition, the Company provides loans to clients in the form of a reverse repo operation, where a loan is provided to a client only if it is secured (covered) by the client investment instruments, the value of which exceeds the loan amount at any time. The repo/buy sell operations totaled CZK 2,407 million as at 31 December 2020. The Company has set limits for loans in the form of repo operations. Activities related to the provision of a client loan are carried out by a broker. On a daily basis, the risk management staff checks the amounts against the set limits or the aggregate limit of the Trading department for the provision of loans. Repayment of loans is monitored by the risk management department. Additionally, inspections are carried out by the Internal Audit Department, which submits its findings to CEO.

The characteristics of the Company's financial performance along with the projected development form a part of the Board of Directors Report.

Capital adequacy

The main capital requirement is the capital requirement for operational risk. To determine the capital requirement for operational risk, the Company uses the Basic Indicator Approach (BIA). Other significant requirements include the capital requirements for the credit risk of the investment portfolio and for currency risk.

Capital requirements as at 31 December 2020 and 2019 (as per Basel III):

	As at 31/12/2020	As at 31/12/2019
CET1 capital ratio	29	23
T1 capital ratio	29	23
Total capital ratio	29	23

Capital	699,010	671,268
Tier 1 (T1) capital	699,010	671,268
Core tier 1 (CET1) capital	699,010	671,268
Instruments applicable to CET1 capital	445,500	445,500
Paid CET1 instruments	445,500	445,500
Retained earnings/accumulated loss	293,695	252,837
Retained earnings/accumulated loss for the previous period *	293,695	252,837
Accumulated other comprehensive income (OCI)	841	1,137
Other reserves	15,293	15,293
Goodwill	(5,045)	(6,998)
Goodwill from intangible assets	(5,045)	(6,998)
Other intangible assets	(51,274)	(36,501)
Other intangible assets – gross value	(51,274)	(36,501)

Total capital requirement	193,961	229,461
Capital requirement for credit risk, counterparty risk, dilution risks and free deliveries	69,352	86,385
Total capital requirement for credit risk at STA	69,352	86,385
Capital requirement at STA without the securitized exposures	69,352	86,385
Exposures to public sector entities	1	5
Exposures to institutions	10,556	9,177
Exposures to corporations	46,398	50,417
Collective investment instruments	2,126	15,803
Shares	46	46
Other exposures	10,225	10,936
Total capital requirement for settlement risk	7	0
Settlement risk for trading portfolio	7	0
Total capital requirement for position risk, currency risk and commodity risk	17,731	32,983
Capital requirement for position risk, currency risk and commodity risk at STA	17,731	32,983
Shares	13,659	26,790
Currency transactions	4,072	6,193
Total capital requirement for operational risk	106,871	110,092
Operational risk – BIA approach	106,871	110,092

Quantitative indicators:

Indicator	2020	2019
Return on assets – ROAA *(Ebit / Total assets excluding client assets – avg.)*	4%	3%
Return on equity – ROAE *(Profit after tax / Equity – avg.)*	6%	6%
Indebtedness I *(Total debt excluding client assets / Total assets excluding client assets)*	69%	82%
Indebtedness II *(Total debt excluding client assets / Equity)*	220%	443%
Return on sales *(Profit after tax / Income from fees and commissions)*	6%	6%
Administrative costs per employee *(in CZK thousands)*	3 304	3,142
Return on assets *(Net profit/ total assets)*	1%	1%

This Annual Report is available at the Company's registered office, where a copy can be obtained as well, and has been also published in a manner that allows remote access, i.e. at www.wood.cz.

In 2020, the Company received public support in the amount of CZK 1,133,463 from the Antivirus program.

Information on the contribution to the Guarantee Fund

Calculation of the contribution to the Guarantee Fund of Securities Traders

Description	CZK thousands
Income from fees and commissions for 2020	772,973
Rate	* 2 %
Total contribution	15,459

Subsequent events

After the balance sheet date, the Company received a decision on a fine for trading from the Turkish stock exchange regulator. The Company considers the fact to be an event adjusting the financial statements as it concerned incorrectly marked transactions carried out in 2020. Therefore, the Company made an estimate of a fine in the full amount of CZK 4,066 thousand in the financial statements. However, the Company will further appeal against this fine to the Turkish regulator.

There were no other significant events after the balance sheet date that would have a material impact on the financial statements for the year ended 31 December 2020.

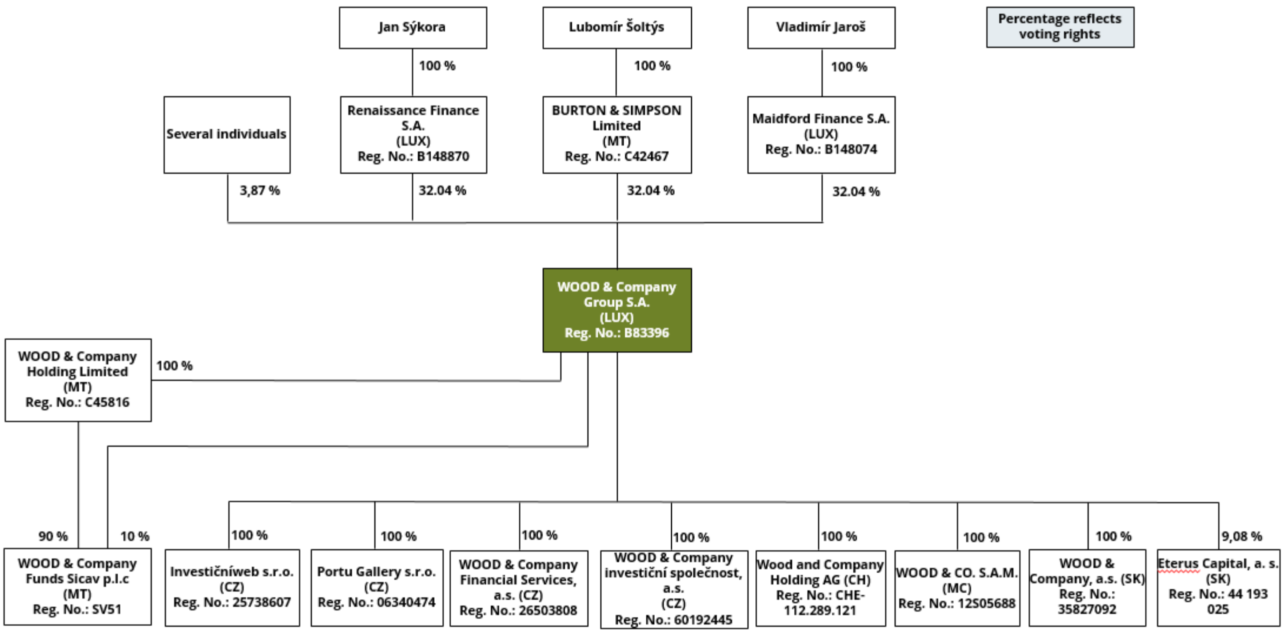
Report on Relations between Related Parties pursuant to Section 82 of the Act No. 90/2012 Coll., on Business Corporations

Accounting period from 1 January 2020 to 31 December 2020

WOOD & Company Financial Services, a.s., with its registered office at náměstí Republiky 1079/1a, Prague 1, business registration number (IČ) 265 03 808, registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert no. 7484 (hereinafter referred to as the "Submitter") is part of a business group in which the following relations exist between the Submitter and the controlling entities as well as between the Processor and the entities controlled by the same controlling entity (hereinafter referred to as "Related parties").

This report on relations between the entities listed below has been prepared in compliance with the provisions of Section 82 of Act No. 90/2012 Coll., on Business Corporations, as amended, for the year ended 31 December 2020 (hereinafter referred to as the "reporting period"). The Submitter and the entities listed below entered into the following contracts and received or made the following legal acts and other distinct measures in the reporting period.

1. CHART OF ENTITIES WHOSE RELATIONS ARE DISCLOSED IN THE REPORT DURING THE REPORTING PERIOD



2. THE CONTROLLING ENTITY

2.1 WOOD & Company Group S.A.

- Registered office: Munsbach, 6C, rue Gabriel Lippmann, L-5365, Grand Duchy of Luxembourg
- Relation to the Submitter: directly controlling entity

3. OTHER RELATED PARTIES:

- Wood and Company Holding AG (in liquidation)
  Registered office: Freier Platz 10, 8200 Schaffhausen, Switzerland
- Wood & Company, a.s.
  Registered office: Laurinská 18, 811 01 Bratislava, Slovak Republic
- WOOD & Company Funds SICAV p.l.c.
  Registered office: TG Complex, Suite 2, Level 3, Brewery Street, Birkirkara BKR 3000, Malta
- WOOD & Company Holding Limited
  Registered office: The Bastions Office No. 2, Emvin Cremona Street, FLORIANA FRN 1281, Malta
- WOOD & Company investiční společnost, a.s.
  Registered office: náměstí Republiky 1079/1a, 110 00 Prague 1
- Portu Gallery s.r.o.
  Registered office: náměstí Republiky 1079/1a, 110 00 Prague 1
- Investičníweb s.r.o.
  Registered office: náměstí Republiky 1079/1a, 110 00 Prague 1
- Eterus Capital, a.s.
  Registered office: Gorkého 4 Bratislava - mestská časť Staré Mesto 811 01, Slovensko
- WOOD & CO. S.A.M.
  Registered office: 74 boulevard d'Italie, 980 00 Monaco, Monaco

- Renaissance finance S.A.
  Registered office: boulevard Royal 8, Luxembourg L-2449, Grand Duchy of Luxembourg
- Maidford Finance S.A.
  Registered office: boulevard Royal 8, Luxembourg L-2449, Grand Duchy of Luxembourg
- Burton & Simpson Limited
  Registered office: Cannon Road 20, SVR 9039 Santa Venera, Malta

4. STRUCTURE OF RELATIONS BETWEEN RELATED PARTIES, ROLE OF THE CONTROLLED ENTITY, METHOD AND MEANS OF CONTROL

In the course of the above period, the Submitter was controlled by WOOD & Company Group S.A., with its registered office at Munsbach, 6C, rue Gabriel Lippmann, L-5365, Grand Duchy of Luxembourg. The Submitter's position within the entire structure has been illustrated chapter 1. *The chart of entities whose relations are disclosed in the report during the reporting period.*

WOOD & Company Group S.A. exercises the control as the sole shareholder of the Submitter, holding 100% of the voting rights by which it exercises the powers of the General Meeting of the Submitter. The General Meeting is the supreme body of the Submitter. The competence of the General Meeting includes, inter alia, the election of members of the Supervisory Board and members of the Board of Directors, including the election of the Chairman and Vice-Chairman of the Board of Directors. The Submitter's Board of Directors performs its functions with due care and is responsible for the performance of its activities to the extent stipulated by the legal regulations of the Czech Republic.

The role of the Submitter is to perform the subject of its business within the group, i.e. the activity of a securities trader in the scope of main and supplementary investment services.

5. OVERVIEW OF ACTIONS TAKEN IN THE LAST ACCOUNTING PERIOD AT THE INSTIGATION OR IN THE INTEREST OF THE CONTROLLING ENTITY OR OTHER RELATED PARTIES EXCEEDING 10% OF THE SUBMITTER EQUITY

In 2020, the Submitter had towards receivables Portu Gallery s.r.o. in the amount of approximately CZK 59.7 million.

6. OVERVIEW OF AGREEMENTS BETWEEN THE SUBMITTER AND OR THE CONTROLLING ENTITY OR RELATED PARTIES

6.1 BETWEEN THE SUBMITTER AND THE CONTROLLING ENTITY

Contract name	Subject matter	Contract date
Facility Agreement	Framework loan agreement between the Submitter (lending entity) and the controlling entity in EUR	16/08/2013
Amendment no. 1 to the Facility Agreement from 16/08/2013	Change of interest rate in the Framework Loan Agreement	30/06/2014
Amendment no. 2 to the Facility Agreement from 16/08/2013	Change of interest rate in the Framework Loan Agreement	30/06/2015
Amendment no. 3 to the Facility Agreement from 16/08/2013	Change of interest rate in the Framework Loan Agreement	30/06/2016
Amendment no. 4 to the Facility Agreement from 16/08/2013	Change of interest rate in the Framework Loan Agreement	30/06/2017
Facility Agreement	Framework loan agreement between the Submitter (lending entity) and the controlling entity in CZK	09/09/2013
Amendment no. 1 to the Facility Agreement from 9/9/2013	Change of interest rate in the Framework Loan Agreement	30/06/2014
Amendment no. 2 to the Facility Agreement from 9/9/2013	Change of interest rate in the Framework Loan Agreement	30/06/2015
Amendment no. 3 to the Facility Agreement from 9/9/2013	Change of interest rate in the Framework Loan Agreement	30/06/2016
Amendment no. 4 to the Facility Agreement from 9/9/2013	Change of interest rate in the Framework Loan Agreement	30/06/2017
Amendment no. 5 to the Facility Agreement from 9/9/2013	Change of interest rate in the Framework Loan Agreement	30/06/2018
Facility Agreement	Framework loan agreement between the controlling entity (lending entity) and the Submitter in EUR	20/09/2014
Amendment no. 1 to the Facility Agreement from 20/9/2014	Change of interest rate in the Framework Loan Agreement	30/06/2015
Amendment no. 2 to the Facility Agreement from 20/9/2014	Change of interest rate in the Framework Loan Agreement	30/06/2016
Amendment no. 3 to the Facility Agreement from 20/9/2014	Change of interest rate in the Framework Loan Agreement	30/06/2017
Amendment no. 4 to the Facility Agreement from 20/9/2014	Change of interest rate in the Framework Loan Agreement	30/06/2018
Agreement on off-set of mutual receivables	Offsetting of mutual receivables and payables	30/06/2015
Agreement on transfer of ownership interest in Investičníweb s.r.o.	WOOD & Company Group S.A. as the transferee and the Sumitter as the transferor	31/12/2019

6.2 OVERVIEW OF AGREEMENTS BETWEEN THE SUBMITTER AND OTHER RELATED PARTIES

Contract name	Subject matter	Contract date
Facility Agreement	Framework loan agreement between the Submitter (lending entity) and Wood and Company Financial Services AG in EUR	09/12/2014
Amendment no. 1 to the Facility Agreement from 20/12/2014	Change of interest rate in the Framework Loan Agreement	30/06/2015
Amendment no. 2 to the Facility Agreement from 9/12/2014	Change of interest rate in the Framework Loan Agreement	30/06/2016
Amendment no. 3 to the Facility Agreement from 9/12/2014	Change of interest rate in the Framework Loan Agreement	30/06/2017
Consignment agreement on the procurement and brokerage of purchase and sale of securities	Agreement on the procurement and brokerage of purchase and sale of securities between the Submitter and Wood & Company, a.s.	01/02/2002
Agreement on management of securities	Management of securities for Wood & Company, a.s.	06/03/2002
Framework Loan Agreement	Framework loan agreement with WOOD & Company investiční společnost, a.s. (creditor)	11/05/2010
Prime Brokerage Agreement	Agreement on Custody, Settlement and Execution of securities between the Submitter and WOOD & Company Funds SICAV p.l.c.	31/08/2006
Consignment agreement on the procurement and brokerage of purchase and sale of securities	Agreement on the procurement and brokerage of purchase and sale of securities between the Submitter and Wood and Company Financial Services AG.	06/09/2004
Commission Brokerage Agreement on Settlement	Agreement on the provision of Settlement services between the Submitter and Wood and Company Financial Services AG.	06/09/2004
Agreement on Financial Transactions	Provision of securities trading services between the Submitter and Wood and Company Financial Services AG.	09/03/2009
Agreement on issuance/redemption of share certificates	Issuance and redemption of a share certificate of the Bond Fund – open-end mutual fund ISIN CZ0008472826 with WOOD & Company investiční společnost, a.s.	26/06/2012
Agreement on sublease of non-residential premises	WOOD & Company Financial Services, a.s., sublets a defined part of office space with WOOD & Company investiční společnost, a.s.	15/11/2009
Framework agreement on financial collateral (transfer of financial collateral)	Agreement between the Submitter, WOOD & Company Financial Services AG and the bank on transfer of financial collateral	25/06/2010
Facility Agreement	Framework loan agreement between the Submitter (lending entity) and Wood & Company Funds SICAV p.l.c. in CZK	26/09/2013
Agreement on issuance/redemption of share certificates	Issuance and redemption of share certificates of the WOOD & Company fund – Agricultural Commodities Fund – open-end mutual fund with WOOD & Company investiční společnost, a.s.	24/10/2012
Framework agreement on trading on the financial market	Agreement on trading on the financial market with regard to repo transactions, concluded with WOOD & Company investiční společnost, a.s.	30/12/2013

Facility Agreement	Framework loan agreement between the Submitter (lending entity) and Wood & Company Holding Limited in CZK	09/10/2014
Custody Agreement	In accordance with the agreement on asset management, custody and management of investment instruments owned by clients of WOOD & Company investiční společnost, a.s., is provided by WOOD & Company Financial Services, a.s.	30/04/2016
Agreement on the provision of brokerage services between the Controlled entity and WOOD & Company Financial Services, a.s. (for the purposes of this agreement hereinafter referred to as the "Intermediary")	The Intermediary undertakes to provide intermediary services, which means actively contacting the owners of ownership interests in the Target Company, submitting an offer to the owners of ownership interests in the Target Company and communicating with these owners; the Controlled entity undertakes to pay the agreed fee for these services under this agreement.	13/06/2016
Agreement on the issuance and redemption of the Fund's investment shares between the Controlled entity and WOOD & Company Financial Services, a.s.	Modification of the conditions for the issuance and redemption of the investment shares of Real Estate Sub-fund I.	21/06/2016
Amendment no. 1 to the Agreement on the issuance and redemption of the Fund's investment shares between the Controlled entity and WOOD & Company Financial Services, a.s.	Modification of the conditions for the issuance and redemption of the investment shares of Real Estate Sub-fund Šestka.	06/10/2016
Framework agreement on the provision of financial services	Framework agreement on the provision of financial services between the Submitter, as a securities trader, and WOOD & Company, investiční fond s proměnným základním kapitálem, a.s.	25/08/2017
Intercompany Agreement	Agreement on the provision of the services by the Submitter as a securities trader and WOOD & Company CO S.A.M. (formerly McLaren Securities S.A.M. Monaco).	01/10/2017
Sublicense Agreement	WOOD & Company, investiční společnost, a.s., provides the Submitter with a sublicense for the WEBPORTFOLIO application.	18/04/2018
Agreement on sublease of non-residential premises between the Submitter and WOOD & Company investiční fond s proměnným základním kapitálem, a.s.	The Submitter sublets WOOD & Company, investiční fond s proměnným základním kapitálem, a.s., part of office space at the address nám. Republiky 1079/1a, 110 00 Prague 1	01/01/2019
Contract for the provision and administration of information and communication technology	The Submitter ensures the provision and management of ICT for WOOD & Company investiční fond s proměnným základním kapitálem, a.s.	02/04/2019
Loan agreement	Loan between the Submitter and Investičníweb s.r.o.	22/01/2020
Loan agreement	Loan between the Submitter and Investičníweb s.r.o.	4/06/2020

7. ASSESSMENT OF WHETHER OR NOT THE CONTROLLED ENTITY SUFFERED ANY DETRIMENT AND ASSESSMENT OF ITS SETTLEMENT PURSUANT TO SECTIONS 71 AND 72 OF ACT NO. 90/2012 ON BUSINESS CORPORATIONS

Based on our review of the legal relations between the Submitter, the Controlling Entity and Related Parties as a result of concluded contracts, other legal acts or other measures adopted by the Submitter in the interest of or at the initiative of individual Related Parties, including the Controlling Entity, the Submitter did not suffer any detriment in the reporting period from 1 January 2020 to 31 December 2020.

8. BENEFITS AND DRAWBACKS ARISING FROM RELATIONS BETWEEN ENTITIES

The benefits of incorporating the Company include the use of the WOOD & Company brand as well as the benefits arising from synergies resulting from activities of the group, or joint action in negotiations with suppliers and subsequent economies of scale.

A possible drawback is the more demanding administrative and organizational structure of an international group, accompanied by possible reputational risk given by the number of entities.

Following the overall assessment of the impact of the Company's inclusion in the WOOD & Company Group, the benefits prevail. The above-mentioned potential risks and drawbacks are addressed at the level of control elements of individual group entities.

This Report was discussed and approved by the Company's Board of Directors on 31 March 2021.

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Vladimír Jaroš
Vice-Chairman of the Board of Directors

INDEPENDENT AUDITOR'S REPORT – WOOD & COMPANY FINANCIAL SERVICES, A.S.

Building a better working world

(Translation of a report originally issued in Czech - see Note 3 to the financial statements.)

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of WOOD & Company Financial Services, a.s.:

Opinion

We have audited the accompanying financial statements of WOOD & Company Financial Services, a.s. (hereinafter also the "Company") prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information. For details of the Company, see Note 2 to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of WOOD & Company Financial Services, a.s. as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with the Act on Auditors and Auditing Standards of the Chamber of Auditors of the Czech Republic, which are International Standards on Auditing (ISAs), as amended by the related application clauses. Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Auditors and the Code of Ethics adopted by the Chamber of Auditors of the Czech Republic and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law or regulation, in particular, whether the other information complies with law or regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law or regulation.

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In addition, our responsibility is to report, based on the knowledge and understanding of the Company obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of the Company's Board of Directors and Supervisory Board for the Financial Statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with above regulations will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the above law or regulation, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors and the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young Audit, s.r.o.
License No. 401

Roman Hauptfleisch, Auditor
License No. 2009

16 April 2021
Prague, Czech Republic

FINANCIAL STATEMENTS – WOOD & COMPANY FINANCIAL SERVICES, A.S.

WOOD & COMPANY FINANCIAL SERVICES, A.S.
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

in accordance with International Financial Reporting Standards, as adopted by the European Union under European Community law

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FINANCIAL STATEMENTS

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	31 December 2020 In CZK thousands	31 December 2019 In CZK thousands
Interest income calculated using the effective interest method		73,508	69,547
Interest expense calculated using the effective interest method		(61,642)	(65,814)
Net interest income	6	11,866	3,733
Other financial income		39,571	19,995
Other financial costs		(25,612)	(8,593)
Net other financial income	7	13,959	11,402
Fee and commission income		772,973	663,052
Fee and commission expense		(288,781)	(261,572)
Net fee and commission income	8	484,192	401,480
Net profit from financial operations	9	171,365	202,461
Other operating income / expenses, net	10	3,591	(394)
Total operating revenues		684,973	618,682
Administrative costs	11	(588,053)	(536,796)
Depreciation and amortization	11, 20	(36,722)	(30,375)
Total operating expenses		(624,775)	(567,171)
Profit / (loss) before tax		60,198	51,511
Income tax expense	12	(14,276)	(9,323)
Deferred tax	12	2,939	(1,330)
Net profit / (loss) for the period		48,861	40,858

Other comprehensive income			
Items that can be reclassified to income (or expenses) in the future:			
Conversion of foreign operations into the reporting currency		(296)	(421)
Total comprehensive income		48,565	40,437

The Notes are an integral part of these unconsolidated financial statements.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	31 December 2020 In CZK thousands	31 December 2019 In CZK thousands
ASSETS			
Current assets			
Cash and bank balances	13	190,075	259,136
Financial assets held for trading	14	218,438	276,189
Other financial assets at fair value through profit or loss	18	133,479	373,393
Trade and other receivables	15	3,675,137	3,518,438
Income tax receivables	12	862	8,883
Deferred charges and income and other assets	17	15,605	17,927
Total current assets		4,233,596	4,453,967
Long-term assets			
Long-term receivables	19	5,189	5,545
Financial assets measured at amortized cost	16	0	44,231
Deferred tax asset	12	3,935	996
Intangible assets, net	20	56,319	43,499
Property, plant and equipment, net	20	63,914	86,652
Total long-term assets		129,357	180,923
Total assets		4,362,953	4,634,890
EQUITY AND LIABILITIES			
Capital and funds			
Issued capital	21	445,500	445,500
Reserve fund from profit		15,293	15,293
Retained earnings / (accumulated loss)	22	293,695	252,837
Profit / (loss) for the current period		48,861	40,858
Fund from revaluation of foreign operations		841	1,137
Total capital and funds		804,190	755,625
Issued debt securities	28	2,110	12,930
Liabilities from lease agreements	25	25,045	42,748
Provision	27	5,479	6,002
Equity and long-term liabilities		836,824	817,305
Current liabilities			
Amounts owed to banks	24	77,888	252,350
Liabilities held for trading	14	132,681	112,478
Trade and other payables	23	3,291,625	3,421,860
Lease liabilities	25	16,309	17,306
Accruals and other liabilities	26	717	13,591

Income tax payable	6,909	0
Total current liabilities	3,526,129	3,817,585
Total equity and liabilities	4,362,953	4,634,890

The Notes are an integral part of these unconsolidated financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	Issued capital In CZK thousands	Reserve fund from profit In CZK thousands	Share/ option scheme capital fund In CZK thousands	Retained earnings In CZK thousands	Revaluation fund In CZK thousands	Total equity In CZK thousands
Note	21	22		22		
As at 1 January 2019	445,500	15,293	6,924	245,912	1,558	715,187
Use of capital fund for stock / option program	0	0	(6,924)	6,924	0	0
Profit / loss from revaluation of foreign operations	0	0	0	0	(421)	(421)
Profit for 2019	0	0	0	40,858	0	40,858
As at 31 December 2019	445,500	15,293	0	293,694	1,137	755,625
As at 1 January 2020	445,500	15,293	0	293,694	1,137	755,625
Profit / loss from revaluation of foreign operations	0	0	0	0	(296)	(296)
Profit for 2020	0	0	0	48,861	0	48,861
As at 31 December 2020	445,500	15,293	0	342,556	841	804,190

The Notes are an integral part of these unconsolidated financial statements.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	31 December 2020 In CZK thousands	31 December 2019 In CZK thousands
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		60,198	51,511
Depreciation and amortization	20	36,722	30,375
Change in impairment and provisions		(692)	6,186
Other non-monetary changes		(4,768)	(2,271)
Operating profit before changes in operating assets		91,460	85,801
Trade and other receivables and financial assets measured at amortised costs	15	(104,278)	(100,044)
Financial assets held for trading	14	77,954	(150,605)
Other assets		2,321	5,561
Trade and other payables	23	(128,949)	606,246
Other liabilities		(12,875)	7,460
Income taxes paid	12	(7,367)	(20,182)
NET CASH FLOW FROM OPERATING ACTIVITIES		(81,734)	434,236
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for other financial assets at fair value through profit or loss		(1,174,572)	(1,111,143)
Proceeds from the sale and maturity of financial assets at fair value through profit or loss		1,414,487	869,564
Payments for financial assets at amortized cost		0	(44,231)
Proceeds from the sale of financial assets at amortized cost		0	0
Payments for property, plant and equipment and intangible assets	20	(26,804)	(31,783)
Long-term receivables		356	(123)
NET CASH FLOW USED IN INVESTING ACTIVITIES		213,467	(317,716)
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of borrowings		(174,461)	(163,083)
Proceeds from the sale of own bonds	28	0	0
Payments for buy-back of own bonds		(10,820)	(1,063)
Lease principal payments	25	(19,986)	(17,269)
NET CASH FLOW USED IN FINANCING ACTIVITIES		(205,267)	(181,415)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALETS		(73,534)	(64,895)
Exchange differences in cash		4,473	1,851

CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	13	259,136	297,518
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	13	190,075	234,475

Additional information to operating Cashflow		
Interest received	63,331	69,846
Interest paid	(59,168)	(57,409)
Held for trading dividends	1,188	3,039

The Notes are an integral part of these unconsolidated financial statements.

1. USE OF CZK AS REPORTING CURRENCY

WOOD & Company Financial Services, a.s. (the "Company") publishes audited statutory financial statements including a statement of financial position as at 31 December 2020, a statement of comprehensive income, a statement of changes in equity and a statement of cash flows for the year ended and the notes to those financial statements with a description of the significant accounting policies used and other explanatory information.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations approved by the International Accounting Standards Board (IASB) and adopted by the European Union.

The financial statements have been prepared in CZK (CZK). The method of translating assets, liabilities, income, expenses and other items of the comprehensive income and equity of the Company's foreign operations is set out in Note 3.

Unless otherwise stated, all amounts are expressed in thousands of CZK.

The financial statements were approved for publication by the Company's Board of Directors on 16.4.2021. The financial statements are also subject of approval by the Company's shareholders.

2. INTRODUCTION

WOOD & Company Financial Services, a.s. (hereinafter referred to as "WOOD & Co." or the "Company"), with its registered office at Náměstí Republiky 1079 / 1a, 110 00 Prague 1, is a joint-stock company which was officially registered in the Commercial Register kept by the Registry Court in 2002. The subject of activity is mainly trading, the provision of investment services and trading in financial instruments on own account. The Company also includes the following branches

- WOOD & Company Financial Services United Kingdom with its registered office at 1 Ropemaker Street, EC2Y 9HT London
- WOOD & Company Financial Services Romania with its registered office at Lamda Office Building, 7A Sos. Bucuresti-Ploiesti 013682 Bucharest 1
- WOOD & Company Financial Services Poland with its registered office at Ul. Złota 59, 00-120 Warsaw
- WOOD & Company Financial Services Slovakia with its registered office at Laurinská 18, 811 01 Bratislava
- WOOD & Company Financial Services Italy with its registered office at Via Luigi Settembrini 35, 20124 Milan
- WOOD & Company Financial Services Ireland with its registered office at Suite 207 3013, Lake Drive, City West Campus, Dublin 24 D24 PPT3, Citywest, Dublin (founded at 30. November 2020)

Capital structure and financial resources of the Company

As at 31 December 2020, the Company's equity amounted to CZK 804,190 thousand (2019: CZK 755,625 thousand).

In addition to its internal funding, the Company secured other renewable overdrafts from various commercial banks. In most cases, the use of these frameworks is limited to the financing of the daily settlement of trades.

Shareholder structure

The ultimate majority shareholders of the Company as at 31 December 2020 were Jan Sýkora, Vladimír Jaroš and Ľubomír Šoltýs (owners). These persons are considered members of key management.

The sole shareholder of the Company at the issuance of this report is WOOD & Company Group S.A., with its registered office at 6C, rue Gabriel Lippmann, L-5365 Munsbach, Grand Duchy of Luxembourg.

Board of Directors as at 31 December 2020:

The principal rule agreed among the main shareholders and members of the Board of Directors of the Company is that the shareholders / members of the Board of Directors of the Company will be represented on the Board of Directors as follows:

Chairman – Jan Sýkora
Vice-chairman – Vladimír Jaroš
Member – Ľubomír Šoltýs

Supervisory Board as at 31 December 2020:

Chairman – Jiří Jirman
Member – Vojtěch Láska
Member – Marek Herold

In 2020, there were no changes in the Board of Directors or the Supervisory Board of the Company.

3. Basis of Preparation of Financial Statements

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations approved by the International Accounting Standards Board (IASB) as adopted by the European Union.

The unconsolidated financial statements have been prepared on an accrual basis of accounting whereby the effects of transactions and other events are recognized when they occur and are reported in the financial statements of the periods to which they relate on the going concern assumption.

The Company's Board of Directors has considered the potential impact of CoVID-19 on its activities and business and has come to the conclusion that they do not have a material effect on the entity's going concern assumption. With regards to this, the financial statements as at 31 December 2020 were prepared in such a way that the Company would be able to continue its activities.

The financial statements consist of a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows and notes to the financial statements.

The unconsolidated financial statements are prepared under the historical cost accounting convention, as modified by the fair value measurement of financial assets not carried at amortized cost and financial liabilities held for trading, and all derivative contracts at the statement of financial position date. Significant accounting policies are described in Note 5.

The comparative figures on the face of the statement of financial position represent balances as at 31 December 2019, for the statement of comprehensive income and statement of cash flows amounts for the year ended 31 December 2019.

The unconsolidated financial statements are presented in CZK (hereinafter referred to as "CZK"), which is the Company's reporting currency.

The Company's functional currency, i.e. the currency of the economic environment in which the Company primarily conducts its activities, is the Czech crown. As stated in Note 2, the Company has six branches abroad, which are considered foreign entities from an accounting perspective. The functional currency of foreign operations is the Polish zloty in Poland, the British pound in Great Britain, the Romanian new lei in Romania and the euro in Italy, Ireland and Slovakia.

The presentation of financial statements in accordance with IFRS as adopted by the European Union requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of income and expenses for the period. These estimates are based on information available at the balance sheet date and actual future values may differ from these estimates. The key source of estimation uncertainty at the end of the accounting period is the valuation of financial assets (see Note 5).

Explanation Added for Translation into English

These financial statements have been prepared in Czech and in English. In all matters of interpretation of information, views or opinions, the Czech version of the financial statements takes precedence over the English version.

4. ADOPTION OF NEW AND REVISED STANDARDS

4.1. Newly applied standards and interpretations, the application of which did not have a significant effect on the financial statements

In addition, amendments to the following standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union, effective for annual periods beginning on or after 1 January 2020, have become effective in the current period:

- Amendments to IAS 1 and IAS 8 Definition of Material

  The amendments are intended to facilitate the understanding of the definition of material in IAS 1 and are not intended to change the basic concept of materiality in IFRS. The concept of "obscuring" significant information by insignificant information has become part of the new definition.

- Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rates Benchmark Reform

  The adjustments relate to hedging relationships that are affected by the reform of reference interest rates. The Company does not expect the reform to have a material impact on its financial statements.

- Changes to the references to the conceptual framework in IFRS standards

  Along with the revised Conceptual Framework, which became effective on 29 March 2018, the IASB also issued Amendments to the Conceptual Framework in IFRSs. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22 and SIC-32. However, not all amendments update the wording with respect to references and citations from the framework to refer to the amended Conceptual Framework. Some texts are updated only to indicate which version of the Framework they refer to (IASC Framework adopted by the IASB in 2001, IASB Framework 2010 or new revised Framework 2018), or to indicate that the definitions in the Standard have not been updated using new definitions contained in the amended Conceptual Framework. The Company does not expect the application of the above adjustments to have an impact on the consolidated financial statements.

- Amendments to IFRS 3 Definition of a Business

  The amendments clarify that although business usually have outputs, outputs are not required for an integrated set of activities and assets to be considered a business. In order for an acquired set of activities and assets to be considered a business, it must contain at least an input and a substantive process that together significantly contribute to the ability to create outputs. The application of these adjustments will have no impact on the financial statements.

- Amendment to IFRS 16 Covid-19-Related Rent Concessions

  The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification.

The adoption of the above amendments and interpretations does not have a material effect on the disclosures or amounts reported in these financial statements.

4.2. Published standards and interpretations that have not yet taken effect

a) At the date of these financial statements, the following amendments to existing standards adopted by the EU have been issued and have not yet become effective:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform — Phase 2 (effective from 1 January 2021)
  The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

b) The following standards and amendments to existing standards have not yet been approved for use in the EU:

- IFRS 17 Insurance Contracts and Amendments (effective from 1 January 2021).
  The new standard sets out principles for the recognition, measurement, reporting and disclosure of insurance contracts and replaces IFRS 4 Insurance Contracts. IFRS 17 sets out a general model that is adapted for insurance contracts with direct participation features, which is characterized as a Variable Fee Approach. The general model is simplified if certain criteria are met by valuing the remaining coverage of the liability using the Premium Allocation Approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and will explicitly measure the cost of this uncertainty. It also takes into account market interest rates and the impact of policyholders' options and guarantees.

  Amendments to IFRS 17 amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. The IASB has also published 'Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)' to defer the fixed expiry date of the amendment also to annual periods beginning on or after 1 January 2023.
  The application of IFRS 17 and Amendments will have no impact on the Company's financial statements.

- Amendments to IAS 1 Classification of Liabilities as Current or Non-current (effective from 1 January 2023).
  Due to Covid 19, IASB decided to delay by one year the effective date of this Amendment to January 1, 2023. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The revised rules do not differ from the way the Company has used in the past. The adjustments will have no impact on the consolidated financial statements.

- Amendments to IFRS 3 Reference to the Conceptual Framework (effective from 1 January, 2022)
  The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly changing the requirements in the standard.

- Amendments to IAS 16 Property, Plant and Equipment — Proceeds before Intended Use (effective from 1 January, 2022)
  The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

- Amendments to IAS 37 Onerous Contracts — Cost of Fulfilling a Contract (effective from 1 January 2022)

  The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

- Amendments to IFRS 1 (Subsidiary as a first-time adopter), IFRS 9 (Fees in the '10 per cent' test for derecognition of financial liabilities), IFRS 16 (Lease incentives), IAS 41 (Taxation in fair value measurements) resulting from the Annual Improvements to IFRS Standards (2018–2020) effective from 1 January, 2022

  IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

  IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

  IFRS 16 – The amendment to Illustrative Example 13 accompanying IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

  IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) effective after 1 January 2023

  The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Examples of when an accounting policy is likely to be material are added. To support the amendment, the Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

- Definition of Accounting Estimates - Amendments to IAS 8 (effective after 1 January 2023)

  The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

The Company has decided not to apply these new standards, amendments to existing standards and interpretations before their effective date. As noted above, the Company does not expect the application of the above standards and interpretations to have a material impact on the financial statements.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

5.1. Significant accounting judgments and estimates

When applying accounting policies to prepare unconsolidated financial statements in accordance with IFRS, management requires professional judgment, estimates and assumptions that affect the amounts of assets and liabilities recognized at the balance sheet date, as well as income and expenses recognized for given period. These estimates and accounting judgments are based on information available at the balance sheet date and relate in particular to:

- Determining the fair values of unlisted financial instruments that are classified as financial assets or financial liabilities at fair value through profit or loss or financial assets measured against other comprehensive income; The calculation of fair value is based on market data (exchange rates, interest rates) and other information existing at the balance sheet date.
- The assessment of compliance with the contractual conditions in the provision of investment banking services is based on information available to the Company's management as at the date of preparation of the financial statements.
- The valuation of tangible and intangible assets, including rights of use, is based on the expected use of these assets, the expected period of their economic useful life or the expected duration of leases.
- The valuation of goodwill is based on an estimate of future cash flows and the required rate of return on own and debt financing;
- The amount of provisions, which is based on the expected amount of payments,
- The amount of impairment of financial assets measured at amortized cost or fair value through profit or loss based on expected losses and the value of those assets at the date of default.

5.2. Recognition of interest income and expenses

Interest income and expense are recognized in the statement of comprehensive income on an accrual basis in the line item “Interest income calculated using effective interest rate” and “Interest expense using effective interest rate”. The Company accounts for interest income and expense using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash payments (net of credit losses) over the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

5.3. Reporting income and expenses from fees and commissions

Fee and commission income is recognized when the Company fulfills its contractual obligation to the client. In the event that the contract contains several partial contractual obligations, the total contract price is divided between individual contractual obligations and the Company recognizes revenue upon fulfillment of each partial contractual obligation. Payments received before the contractual obligation are recognized are recognized as a liability. Costs incurred prior to the fulfillment of a contractual obligation are then recognized as an asset in IFRSs if they are costs directly related to the performance of the contract, the costs are directed to the fulfillment of the contractual obligation and the Company expects that these costs will be reimbursed.

The main categories of revenue from contracts with customers are, as described in Note 8, capital market transaction fees, analytical service income, asset management fees and investment service income. For capital market transactions, the contractual obligation is usually settled at the time the transaction is made and revenue is recognized at that time.

Analytical services are usually provided on an ongoing basis and the price is set for a specific period. The fulfillment of contractual obligations takes place gradually during the duration of the contract. Revenues from these services are always recognized at the end of the period (month or calendar year).

In the case of management services, the contractual obligation is also fulfilled continuously throughout the accounting period. A fixed part of the remuneration is charged to income on a regular basis during the accounting period. If the remuneration includes a component dependent on the performance of the managed portfolio, such income is recognized at the end of the accounting period if the conditions for the variable remuneration component have been met.

For investment banking analytical services, the moment of fulfillment of the contractual obligation is the moment agreed in the contract. Depending on the contractual arrangements, the contractual obligation may be performed gradually over the life of the contract or it may be fulfilled at the time specified in the contract (eg at the time of the transaction relating to the services provided). If a variable component of remuneration is agreed (eg upon successful implementation of the project and acquisitions), this part is accounted for as income only after successful completion of the project.

Fee and commission income is reported on the line "Fee and commission income".

Fee and commission expenses are reported in the period to which they are materially and temporally related (see above) on the line “Fee and commission expenses”.

5.4. Other financial costs / income

Other financial income / costs are recorded by the Company if they arise from an asset / liability that does not meet the definition set out in the Conceptual Framework of International Accounting Standards and the receivable (assets) gives the Company an expense and vice versa a liability (liabilities) for the Company.

In the current period and the comparative period, these were loans of securities entered into the client in the form of a repo transaction with a negative interest rate.

5.5. Financial assets and financial liabilities

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument (trade date).

Financial assets and financial liabilities are initially recognized at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to the fair value of the financial asset or deducted from the fair value of the liability at initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in the statement of comprehensive income.

<u>Classification and valuation of financial assets</u>

Financial assets are classified into the following specified categories: financial assets “at fair value through profit or loss”, “financial assets at fair value through profit or loss”, “financial assets at amortized cost”.

Financial assets measured at amortized cost:

Financial assets can be measured at amortized cost if they are held under a model designed to hold financial assets for the purpose of collecting contractual cash flows and the cash flows are only repayments of principal and interest on the principal.

Analysis of contractual cash flow characteristics

As part of the analysis of the characteristics of contractual cash flows, the Company evaluates whether the contractual cash flows from loans and debt securities represent only payments of principal and interest on the amount of principal due. The fair value of a financial asset at the time of its recognition is considered to be the principal. The interest includes the time value of money, a surcharge for credit risk arising from the principal currently due, a surcharge on other costs and risks arising from lending and the required profit margin.

In assessing whether cash flows consist solely of repayments of principal and interest, the Company evaluates the contractual terms of the financial instrument. This includes evaluating whether a financial asset includes contractual arrangements that may change the timing and amount of the contractual cash flows. As part of the evaluation, the Company assesses:

- contingent events that may change the timing and amount of contractual cash flows;
- leverage effect;
- early repayment and extension of maturity;
- conditions that restrict the entity from collecting cash flows from specific assets;
- conditions that modify the payment for the time value of money.

Business model

The definition of the Company's business models reflects the manner in which groups of financial assets are managed together to achieve a defined business objective. In assessing the objective of the business model, the Company takes into account in particular the following information:

- established methods and objectives for the portfolio
- the method of evaluating the performance of the business model and how the given performance is reported to the key management of the Company;
- risks that affect the performance of the business model and the financial assets held under that business model and the method
- managing these risks;
- the method of remuneration of managers and traders

In the statement of financial position, financial assets at amortized cost are reported under “Cash and deposits with banks”, “Trade and other receivables”, “Long-term receivables” and “Securities measured at amortized cost”. and include loans and receivables from banks and clients of debt securities that are not held for trading. The accrued value is the acquisition price reduced by principal repayments, increased by accrued interest and reduced by expected impairment losses through a provision. The Company uses the effective interest rate method to calculate the accrued value. Fees and related transaction costs are an integral part of the effective interest rate. Interest income on financial assets carried at amortized cost is recognized in the statement of comprehensive income under 'Interest income'. Impairment losses are recognized in the statement of comprehensive income under 'Other operating expenses'.

Financial assets at fair value through other comprehensive income (“FVOCI”)

Debt instruments can be measured at fair value through other comprehensive income if they are held in a business model whose objectives are achieved through the collection of contractual cash flows and sales, and at the same time the cash flows are exclusively repayments of principal and interest on principal. Unrealized gains and losses on debt securities are recognized in other comprehensive income. At the time of sale, the accumulated gains and losses on other profit or loss are reclassified to profit or loss. In the accounting period 2020 and 2019, the Company did not value any debt instrument at fair value recognized in other comprehensive income.

For equity securities that are not held for trading, the Group may, at the time of their initial recognition, decide that subsequent changes in fair value will be recognized against equity. This classification is irreversible. The Company did not use this option in 2020 or 2019.

Financial assets at fair value through profit or loss ("FVTPL")

Financial assets may be measured at fair value through profit or loss if the cash flows do not meet the test conditions for contractual cash flows or are part of a business model designed to hold financial assets to realize their value through sale. In addition, on initial recognition, it is possible to irrevocably classify a financial asset that otherwise meets the requirements to be measured at amortized cost or at fair value through other comprehensive income as measured at fair value through profit or loss, if this eliminates or significantly reduces a measurement or accounting mismatch that would otherwise occur.

Financial assets at fair value through profit or loss are recognized in the statement of financial position under 'Financial assets held for trading' and 'Other securities at fair value through profit or loss'.
Equity instruments for which the Company determines that they are held for trading or for which it does not exercise the option to recognize movements in fair value in other comprehensive income are measured at fair value through profit or loss.

Changes in the net fair value of financial assets at fair value through profit or loss are recognized in the statement of comprehensive income under 'Net profit from financial operations'.

<u>Impairment loss on financial assets</u>

For financial assets measured at amortized cost and debt financial assets at fair value through profit or loss, the Company determines an impairment loss in the amount of expected losses. The amount of expected losses is based on historical experience and takes into account expected market developments.

IFRS 9 requires the use of a three-tier model to calculate allowances, which evaluates the change in credit risk at the balance sheet date.

Level 1 – financial assets for which there has been no significant increase in credit risk since initial recognition or which have a low credit risk at the balance sheet date. For all assets in this category, a 12-month expected credit loss is recognized and interest income is calculated from the gross carrying amount of the financial asset.

Level 2 – financial assets for which there has been a significant increase in credit risk since initial recognition but which have not yet been impaired. For these assets, the expected credit loss is recognized for the entire life of the asset and interest income is calculated from the gross carrying amount of the financial asset.

According to the Company's methodology, there is a significant increase in credit risk if one or more criteria are met. The quantitative criterion is based on changes in the values of the probability of default, qualitative criteria on changes in external market indicators, changes in the terms of the contract and changes in the internal risk assessment

Level 3 – financial assets for which there is objective evidence of impairment. They are recorded for these assets expected credit losses over the life of the asset and interest income is calculated based on the net book value of the assets. According to the Company's methodology, a receivable is impaired especially if the debtor is more than 180 days in arrears, the debtor has died, or the debtor is insolvent.

The Company uses a simplified model for trade receivables and receivables from outstanding securities transactions with an original maturity of less than one year; Impairment losses are determined in the amount of expected losses over the entire life of the receivable.

In calculating the present value of expected credit losses, the Company uses the values of Probability of Default (“PD”), Loss Given Default (“LGD”), Exposure at Default (“EAD”) and discount value. factor ("D"). For receivables from outstanding securities transactions and trade receivables, an impairment loss is determined as a percentage of the value of receivables broken down by overdue period. For receivables from reverse repo loans and loans to non-banking entities, the Company then determines the expected loss based on an individual assessment of the debtor's credit risk after taking into account collateral.

Classification and valuation of financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. Financial liabilities are classified as at fair value through profit or loss if the financial liability is held for trading or is designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are carried at fair value, with any revaluation gain or loss recognized in the statement of comprehensive income under 'Net profit or loss from financial operations'. Other financial liabilities (including loans) are subsequently measured at amortized cost using the effective interest rate method

Accounting for financial assets and financial liabilities

All current purchases and sales of financial assets (spot transactions) are reported or derecognized on the trade date. Ordinary purchases or sales are purchases or sales of financial assets that require delivery of the assets within the time frame established by regulation or convention in the market. Purchases and sales of financial assets with a settlement time longer than usual for spot transactions are considered financial derivatives (see Note 'Financial derivative instruments').

5.6. Repurchase agreements

Securities sold under repurchase agreements (repurchase agreements) are not derecognized and continue to be reported as assets on the line "Financial assets held for trading" in the statement of financial position. Securities provided as collateral are recorded on the off-balance sheet. The value of securities from the "Financial assets held for trading" category, which are provided as collateral, is quantified in the notes to the financial statements. At the same time, the Company recognizes a liability in the amount of the received performance, which is included in the relevant line "Payables to banks" or "Trade payables and other payables".

The difference between the purchase and sale price in repurchase agreements is treated as interest expense, which is reported as part of Interest expense and is determined using the effective interest rate method.

Securities purchased under agreements to resell (reverse repurchase agreements) are not recognized in the statement of financial position and are recorded in off-balance sheet records. The corresponding receivable arising from the loan is reported in the statement of financial position as an asset on the relevant line "Cash and deposits with banks" or "Trade and other receivables".

The difference between the sale and purchase price for resale contracts is treated as interest income, which is reported as part of the item Interest income and is determined using the effective interest rate method.

In the case of the sale of securities acquired as collateral in a reverse repo operation, the Company recognizes in the statement of financial position the amount payable from the short sale remeasured to fair value in the relevant line "Trade payables".

5.7. Financial derivative instruments

The Company enters into a number of derivative financial instruments to manage its exposure to currency risks. All financial derivatives are classified as trading financial instruments.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value at the end of each reporting period. The resulting gain or loss is recognized immediately in the statement of comprehensive income as 'Net profit from financial operations'.

5.8. Conversion of data in foreign currencies into Czech currency

All transactions denominated in foreign currencies are accounted for and converted into Czech crowns at the official exchange rate announced by the CNB valid at the time of the transaction.

At the end of the accounting period, assets and liabilities representing monetary items denominated in foreign currencies are translated into Czech crowns at the exchange rate announced by the CNB valid on that date. Assets and liabilities representing the right to receive (or an obligation to pay) a fixed or determinable number of foreign currency units are treated as foreign currency monetary units. Realized and unrealized gains and losses on the translation of foreign currency assets and liabilities into Czech crowns are recognized in the statement of comprehensive income as financial operations.

Assets and liabilities that do not represent monetary units and equity items are translated at the historical exchange rate.

Assets, liabilities, income, expenses and equity transactions of foreign branches representing a foreign operation are translated into the reporting currency as follows:

- assets and liabilities, including data for the comparative period at the exchange rate at the balance sheet date
- income and expenses, including data for a comparative period at the exchange rate on the date of the transaction
- transactions with equity at the exchange rate on the date of the transaction.

Differences arising on the translation of foreign operations from the functional currency to the reporting currency of the Company are reported as part of other comprehensive income on the line Translation of foreign operations into the reporting currency.

5.9. Income tax

Current tax payable is tax calculated on the basis of taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to income tax payables for the previous period.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax liability is recognized for all taxable temporary differences. A deferred tax asset is recognized for all deductible temporary differences only to the extent of the probable future taxable income.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be offset.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and receivables reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to cover or settle the carrying amount of its assets and liabilities.

Tax for the period and deferred tax is recognized in the statement of comprehensive income unless it relates to items that are recognized in other comprehensive income or directly in equity; in this case, the tax for the period and deferred tax is recognized in other comprehensive income or directly in equity.

5.10. Tangible and intangible fixed assets

Tangible and intangible fixed assets are stated at historical cost less accumulated depreciation/amortization and accumulated impairment losses. The acquisition price includes fees for experts and other costs directly related to the acquisition of the asset. Fixed assets are depreciated using the indirect method using accumulated copies. Depreciation and amortization is calculated on a straight-line basis to depreciate the cost of property, plant and equipment and intangible assets over their estimated useful lives.

Goodwill represents the difference between the consideration transferred and the value of all non-controlling interests in the acquiree and any interests held so far in the acquiree and the fair values of any interests held so far in the acquiree and the amount of identifiable assets acquired and liabilities assumed measured at the acquisition date.

During the accounting period, the Company used the following estimated useful lives of the assets expressed in years:

Type of property	Depreciation/ amortization period (in years)
Technical improvement	10 – 30
Inventory	3 – 10
Cars	4
Hardware equipment	3
Software	3-7
Right-of-use asset	2-5

At the end of each reporting period, the Company assesses the carrying amount of property, plant and equipment and intangible assets to determine whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. If it is not possible to determine the recoverable amount of an individual asset, the Company determines the recoverable amount of the cash-generating unit to which the asset belongs. Enterprise-wide assets are allocated to a separate cash-generating unit if a reasonable and consistent basis for allocation can be determined. Otherwise, enterprise-wide assets are allocated to the smallest group of cash-generating units for which a reasonable and consistent basis for allocation can be determined.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In assessing value in use, the estimate of future cash flows is discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset that have not been adjusted for future cash flows.

If the recoverable amount of an asset (or cash-generating unit) is less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized directly in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (or cash-generating unit) is increased to an adjusted estimate of its recoverable amount, but so that the increased carrying amount of the asset does not exceed the carrying amount that would have been determined had not been recognized in prior years. no impairment loss on the asset (or cash-generating unit). The reversal of an impairment loss is directly reflected in profit or loss.

For intangible assets with indefinite useful lives, intangible assets that are not yet in use, and for goodwill, an impairment assessment is performed annually, regardless of whether there is any indication of impairment.

5.11. Lease contracts

The Company as a lessor
The Company acts as a lessor only to related companies in the sublease of office space. The main lease and the sublease are considered as two separate contracts and accounted for separately. None of these contracts meets the criteria for a finance lease. Revenue from sublease is charged on a straight-line basis over the term of the contract.

The Company as a lessee
For short-term leases and leases relating to low-value assets, costs are charged to the Company's expenses on a straight-line basis over the term of the lease. The Company considers as short-term leases concluded for a period shorter than 12 months, and as assets with a low value those with an acquisition price lower than CZK 100 thousand.

In determining the lease term, the Company is based on the non-cancellable lease term agreed in the contract. If the lease includes the Company's right to renew the contract or the right to terminate the contract, the Company also takes these factors into account when determining the expected lease term, depending on whether it anticipates their use.

For other leases, the Company accounts for the right-of-use asset and lease liabilities as at the commencement date of the lease.

Lease payables are measured at the present value of the expected contractual lease payments at the inception of the lease. In the case of the Company, these payments include fixed or variable rents. The variable component of the rent depending on the development of the price index is determined at the commencement of the lease according to the value of the index on the date of commencement of the lease. To determine the present value, the Company uses the Company's current borrowing rate as the discount rate. unless the implicit interest rate of the lease is known. For 2020, the Company's borrowing rate was determined on the basis of external financing rates. The subject of lease agreements, for which the right-of-use asset is accounted for, is exclusively the lease of office space, therefore in 2020 the Company used a uniform discount rate of 2% p.a. (2019: 2% p.a).

The lease liability is subsequently increased by accrued interest and reduced by the rent paid.

The short-term and long-term part of the lease liability are reported in separate lines of the statement of financial position.

If, after the commencement of the lease, the expected payments included in the valuation of the lease liability change, the Company adjusts the value of the liability and at the same time adjusts the valuation of the right-of-use asset.

The right-of-use asset is valued at the date of commencement of the lease in the amount corresponding to the initial value of the lease liability adjusted for rent payments made before the commencement of the lease, incentives and costs incurred in concluding the lease agreement. Subsequently, the value of the right-of-use asset is reduced by depreciation and any loss from impairment. The right-of-use asset is depreciated on a straight-line basis over the expected life of the lease (or the shorter of the useful life of the asset); the duration also takes into account the contractual right to unilaterally extend or terminate the lease.

Changes in expected payments included in the measurement of a lease liability, the Company will adjust the value of the lease liability to reflect newly expected payments, and at the same time adjust the value of the right-of-use asset.

5.12. Provisions

The Company creates a provision if:

- It has a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation;
- A reliable estimate of the amount of the obligation can be made.

The provision is recognized at the amount that represents the best estimate of the amount required to settle the present obligation.

5.13. Post-employment benefits

For employees in the Italian branch, the Company creates a mandatory T.F.R post-employment benefit fund. Severance pay, according to the terminology of Italian labor law, is paid on the basis of the funds raised. The procedures for the correct calculation of severance pay are set out in Article 1 of Law No 297/1982 and Article 2,120 of the Italian Civil Code, which may be summarized as follows:

1. The monthly statement shall include all remuneration, including benefits in kind, paid to the worker depending on the employment relationship, unless it is an occasional employment relationship and unless otherwise stated in the collective agreements.
2. The sum of the relevant salaries paid monthly shall be divided by a coefficient of 13.5 at the end of each year or at the end of the employment relationship.
3. The amount not collected in the previous year shall always be valorized on the basis of the valorization coefficient fixed by the National Statistical Office of Italy (ISTAT).
4. Each year, a deduction of 0.50 is paid, paid monthly by the employer for the employee in the form of an advance to the Italian State Social Security Administration (INPS), together with contributions;
5. By adding the amount referred to in point 2) to the amount obtained in point 3) and deducting the amount referred to in point 4), we obtain the amount to be set as expense for the Company and as a liability recognized as a provision for post-employment benefits.
6. The new legislation, which has been in force since March 2015, provides for the possibility of:

    - paying the employee a monthly amount of severance pay accumulated for a given month, or
    - collecting these funds on the Company's account,
    - paying funds to the pension fund, according to the employee's choice

The Company recognizes the costs of creating the fund in the “Administrative expenses” in the statement of comprehensive income and reports the value of the fund in the statement of financial position as “Post-employment benefit provision”. Upon termination of employment, the amount is paid by a reduction in the value of the fund (provision) and a decrease in cash. The value of the fund is revalued using the actuarial method in accordance with the requirements of IAS 19 and revaluation gains or losses are recognized in other comprehensive income.

5.14. Securities transactions for clients

Securities accepted by the Company for safekeeping, administration or management are accounted for in off-balance sheet records in market, resp. nominal values if market value is not available. In the statement of financial position in the item "Trade and other payables", payables to clients due to received funds intended for the purchase of securities, or to return backups to the client.

5.15. Debt securities issued

Debt securities issued are classified as other financial liabilities measured at amortized cost. Debt securities issued are initially recognized at issue price, including the direct cost of issue. Subsequently, liabilities from issued bonds are increased by accrued interest costs determined by the effective interest rate method. In the statement of financial position, the bonds are recorded under “Liabilities from issued bonds”. Accrued interest is recorded in the item "Interest expenses" in the statement of comprehensive income.

5.16. Method of determining fair value

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in the valuation. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for the same assets or liabilities (level 1),
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2);
- inputs for assets or liabilities that are not based on observed market data (unobservable inputs) (level 3).

See Note 37 for details.

5.17. Cash and bank balances

Cash and bank account balances also include restricted funds, the use of which by the Company is limited by the contractual conditions. Restricted cash is not included in the cash flow statement. Cash equivalents are cash on hand, deposits with central banks and deposits with other banks with a maturity of up to one day.

Clients' funds received as part of client asset management are not part of the item, they are reported off-balance sheet.

5.18. Change in accounting estimates

In 2020, the Company changed its accounting estimate and began accounting for the provision for untaken holiday in accordance with IAS 19 Employee Benefits. The change was made in order to improve and deepen the information provided to users of the financial statements. The company made an adjustment in the current period as the retrospective adjustment would not have a material impact on previous periods. The total amount of the provision for untaken holiday as at 31 December 2020 is CZK 13,431 thousand. In the statements, this item is reported under the item unbilled liabilities.

6. NET INTEREST INCOME

Interest income of CZK 73,508 thousand (2019: CZK 69,547 thousand) is generated mainly from repo loans and loans on the money market.

	Year ended 31 December 2020 In CZK thousands	Year ended 31 December 2019 In CZK thousands
Interest income calculated using the effective interest rate method	73,508	69,547
Loans and advances provided	66,065	65,158
Other	7,443	4,389
Interest expenses calculated using the effective interest rate method	(61,642)	(65,814)
Overdrafts	(6,597)	(10,139)
Loans and advances received	(53,544)	(53,794)
Interest on leases	(1,286)	(1,480)
Other	(215)	(401)
Net interest income	11,866	3,733

7. OTHER FINANCIAL INCOME / COSTS

	Year ended 31 December 2020 In CZK thousands	Year ended 31 December 2019 In CZK thousands
Other financial income	39,571	19,995
Other financial costs	(25,612)	(8,593)
Net other financial income	13,959	11,402

8. NET FEE AND COMMISSION INCOME

	Year ended 31 December 2020 In CZK thousands	Year ended 31 December 2019 In CZK thousands
Fee and commission income:	772,973	663,052
Securities transactions	495,873	447,400
Analytical services	93,162	85,786
Asset management	48,464	24,359
Investment banking	135,474	105,506
Fee and commission expenses:	(288,781)	(261,572)
Securities transactions	(286,401)	(261,572)
Other	(2,380)	0
Total net fee and commission income	484,192	401,480

9. NET PROFIT FROM FINANCIAL OPERATIONS

	Year ended 31 December 2020 In CZK thousands	Year ended 31 December 2019 In CZK thousands
Net profit from proprietary trading	182,024	196,146
Net profit from foreign Exchange transactions and foreign currency differences	(12,057)	2,739
Dividend income	1,398	3,576
Net profit from financial operations	171,365	202,461

10. OTHER OPERATING INCOME / EXPENSES, NET

	Year ended 31 December 2020 In CZK thousands	Year ended 31 December 2019 In CZK thousands
Reinvoicing of operating costs	2,304	1,902
Other operating income	3,205	3,904
Profit / (loss) on disposal of PPE	2	5
Release / (creation) of provisions to goodwill	(2,090)	0
Release / (creation) of provisions to receivables	170	(6,205)
Other operating income / expenses, net	3,591	(394)

11. GENERAL ADMINISTRATIVE EXPENSES

	Year ended 31 December 2020 In CZK thousands	Year ended 31 December 2019 In CZK thousands
Wages, salaries and bonuses	(276,136)	(229,942)
Social security and health insurance costs	(68,835)	(63,776)
Contribution to T.F.R. fund	(6,592)	(5,991)
Share / option scheme	0	0
Personnel expenses	(351,563)	(299,709)
Other administrative expenses	(236,490)	(237,087)
Total administrative expenses	(588,053)	(536,796)
Depreciation and amortization	(36,722)	(30,375)
Total administrative and other expenses	(624,775)	(567,171)
Number of employees at the end of the period	221	208
Average number of employees per period	208	197
Average cost per employee	(1,690)	(1,521)

Other administrative expenses mainly include IT expenses (CZK 123,406 thousand; CZK 103,591 thousand in 2019), services related to the operation of office space and expenses related to lease agreements classified as short-term or related to low-value items (CZK 16,924 thousand; CZK 19,771 thousand in 2019), legal expenses (CZK 11,577 thousand; CZK 10,881 thousand in 2019), and travel expenses (CZK 5,735 thousand; CZK 13,154 thousand in 2019).

The line Other administrative expenses also includes the remuneration of the statutory auditor, which totaled CZK 2,150 thousand in 2020 and relates to the mandatory audit of the financial statements and the annual report and the report on the adequacy of the measures taken to protect the customer's assets (so-called MiFID reports). The auditor's fee for 2019 amounted to CZK 2,138 thousand, including part of the invoicing reported in 2019. The statutory auditor of the Company was Ernst & Young Audit, s.r.o. for 2020 and 2019.

12. TAXATION

The corporate income tax rate for the year ended 31 December 2020 is 19%. The Company's tax liability is calculated on the basis of current profit / (loss) according to Czech accounting standards, taking into account tax non-deductible expenses and exempt income or income subject to the final withholding tax rate.

	Year ended 31 December 2020 In CZK thousands	Year ended 31 December 2019 In CZK thousands
Profit / (loss) before tax	60,198	51,511
Theoretical tax calculated using a tax rate of 19% (2019: 19%)	11,438	9,787
Tax effect of non-taxable income	(284)	(979)
Tax effect of tax non-deductible expenses	2,014	781
Tax effect of other deductions	(2,565)	(1,750)
Tax effect of dividend income, income of foreign branches and tax of the previous period	734	2,814
Income tax expense / (income)	11,337	10,653
- Deferred tax	*(2,939)*	*1,330*

DEFFERED TAX

	Year ended 31 December 2020 In CZK thousands	Year ended 31 December 2019 In CZK thousands
Deferred tax assets		
Estimates on labor costs	555	0
Provisions	2,235	0
The difference between the accounting and tax residual value of fixed assets, including right of rights	89	911
Contractual fines and penalties	1,056	85
Net deferred tax assets / (liabilities)	3,935	996
		0
Movement of deferred tax assets / (liabilities)		
Status at the beginning of the period	996	2,326
Net change recognized as income / (expenses)	2,939	(1,330)
Net change recognized in equity	0	0
Status at the end of the period	3,935	996

Deferred income taxes are calculated on all taxable and deductible differences between tax bases and carrying amounts using the effective tax rates of 19% applicable for 2020 and beyond. The impact on the deferred tax receivable due to the provision arises due to the creation of a provision for untaken holiday, see Note 5.18.

13. CASH AND BANK BALANCES

	Year ended 31 December 2020 In CZK thousands	Year ended 31 December 2019 In CZK thousands
Cash on hand	1,052	698
Current accounts with banks	189,023	233,777
Restricted cash	0	24,662
Total money and balances on bank accounts	190,075	259,136

Cash and current accounts with banks in total represent cash and cash equivalents for cash flow reporting purposes.

Restricted cash represents funds contractually blocked in the account for the needs of a third party.

14. FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING

Financial assets held for trading

	As at 31 December 2020 In CZK thousands	As at 31 December 2019 In CZK thousands
Shares and equity securities traded on regular markets	144,925	223,103
Debt securities traded on regular markets	0	0
Fair value of financial derivatives	73,513	53,086
Total trading assets	218,438	276,189

Of the financial assets held for trading, securities that are used as collateral for repo operations totaled CZK 3,188 thousand (2019: CZK 25,837 thousand).

Liabilities held for trading

	As at 31 December 2020 In CZK thousands	As at 31 December 2019 In CZK thousands
Liabilities from short sales	64,544	71,062
Fair value of financial derivatives	68,137	41,416
Total trade payables	132,681	112,478

The shares are denominated in the currencies of the individual local markets.

Nominal values of foreign exchange transactions	As at 31 December 2020 In CZK thousands	As at 31 December 2019 In CZK thousands
Receivables from fixed-term operations	9,971,824	6,260,104
Liabilities from fixed term operations	9,968,421	6,239,210

Information on the risks arising from financial assets and financial liabilities held for trading and the methods of their management are described in Notes 29-35.

15. TRADE RECEIVABLES AND OTHER RECEIVABLES

	As at 31 December 2020 In CZK thousands	As at 31 December 2019 In CZK thousands
Receivables from securities trading	709,099	800,412
Receivables from repo/ buy sell operations	2,407,834	1,859,797
Receivables from loans to non-banking entities	485,479	792,547
Trade and other receivables	30,378	32,129
Estimated receivables	31,599	23,452
Advance payments – short-term	10,748	10,101
Trade and other receivables, total	3,675,137	3,518,438

Receivables from securities trading of CZK 709,099 thousand mainly include capital transactions for clients, which remained unpaid at the end of 2020 (2019: CZK 800,412 thousand). These transactions were subsequently fully settled at the beginning of January 2021. Due to the method of settlement of transactions (delivery versus payment), these receivables carry a minimum credit risk. For securities trading receivables, the impairment loss is determined at the expected 12-month loss. Based on historical experience and the nature of receivables, the Company assessed the risk of expected twelve-month losses as insignificant. In 2020 and 2019, none of the receivables reported in this category showed a significant increase in credit risk. The Company did not report any impairment loss on these receivables.

Receivables from reverse repo transactions represent short-term loans secured by securities. For receivables from reverse repo operations and buy-sell operations, the impairment loss is primarily set at the 12-month expected loss. Receivables are always secured by securities with a value higher than the value of the receivable. The debtor's credit risk and the value of collateral are regularly evaluated by the Company. The Company assessed the risk of expected twelve-month losses on existing receivables as insignificant. In 2020 and 2019, none of the receivables reported in this category showed a significant increase in credit risk. The Company did not report any impairment loss on these receivables. Securities accepted as collateral under reverse repo transactions amount to CZK 3,243,043 thousand (2019: CZK 2,553,551 thousand). Securities are measured at fair value. All securities accepted as collateral may be sold or further pledged.

Receivables from loans to non-banking entities represent loans provided to selected business partners, including related parties. For receivables from loans to non-banking entities, the impairment loss is primarily determined at the expected 12-month loss. Expected losses are based on an individual assessment of individual debtors. Given that most loans are provided to related companies, the Company assesses the risk of expected credit losses on existing receivables as insignificant. In 2020, none of the receivables showed a significant increase in credit risk, nor was an impairment loss recognized. In 2019, there was a significant deterioration in credit risk for one receivable in the amount of CZK 1,500 thousand. For this receivable, the Company reported an impairment loss of CZK 1,500 thousand, which corresponds to the expected loss for the remaining life of the receivable.

Trade receivables and other receivables of CZK 23,484 thousand include receivables from issued invoices for asset management services, investment banking and analytical services (2019: CZK 27,653 thousand). It also includes relationships in the group (CZK 3,768 thousand; 2019: CZK 1,135 thousand) due to re-invoicing of costs. In the case of trade receivables, the impairment loss is determined in the amount of the expected loss for the remaining life of the receivable, where the expected loss is based on the period after the receivable is valid. Based on historical experience and the nature of receivables, the Company assessed the risk of expected losses as insignificant.

As at 31 December 2020, the Company calculated expected impairment losses on financial assets. The total expected amount of impairment did not exceed the amount of CZK 100 thousand. The method of credit risk management is described in Note 32.

16. FINANCIAL ASSETS AT AMORTIZED COST

	As at 31 December 2020 In CZK thousands	As at 31 December 2019 In CZK thousands
Opening balance	44,231	0
Gross carrying amount	0	41,997
Sale	(46,634)	
Amortisation items	2,403	2,234
Financial assets at amortized cost	0	44,231

The item of financial assets measured at amortized cost in 2019 represented the value of purchased Romanian restitution vouchers. In 2020, the Company changed the business model of held vouchers and sold all instruments. The reclassification did not affect the company's net profit. In 2020, the Company did not have any financial assets measured at amortized cost.

17. DEFERRED EXPENSES AND REVENUES AND OTHER ASSETS

Deferred expenses as at 31 December 2020 in the amount CZK 15,605 thousand (2019: CZK 17,927 thousand) mainly include prepaid maintenance of IT systems and connections to stock exchanges.

18. OTHER FINANCIAL ASSETS VALUED AT FAIR VALUE AGAINST INCOME AND EXPENSES

	As at 31 December 2020 In CZK thousands	As at 31 December 2019 In CZK thousands
Unlisted bonds	53,600	5,418
Unquoted shares and participations	79,879	367,975
Other financial assets at fair value through profit or loss	133,479	373,393

The item unlisted bonds includes bonds of Czech companies maturing in 2024.

The item unquoted shares and participations as at 31 December 2020 and 31 December 2019 includes shares in funds of qualified investors.

Information on risks arising from other financial assets measured at fair value and the methods of their management are described in Notes 29-35.

19. LONG-TERM RECEIVABLES

Long-term receivables in the total amount of CZK 5,189 thousand (CZK 5,545 thousand in 2019) consists mainly of long-term advances paid for rent. There is no credit risk associated with these receivables.

20. TANGIBLE AND INTANGIBLE FIXED ASSETS

	Goodwill In CZK thousands	Software In CZK thousands	Right-of-use asset In CZK thousands	Technical improvement In CZK thousands	Inventory In CZK thousands	Other equipment In CZK thousands	Means of transport In CZK thousands	Total In CZK thousands
Purchase price 1 January 2020	6,999	149,770	73,236	28,003	26,604	49,738	13,408	347,757
Additions		27,200	0	0	29	1,194	0	28,423
Introduction of IFRS 16	0	0	0	0	0	0	0	0
Translation of assets from branch currencies to CZK	136	24	0	(223)	(41)	21	104	22
Disposals	0	0	0	(156)	0	(2,631)	0	(2,786)
31 December 2020	7,135	176,994	73,236	27,625	26,592	48,323	13,512	373,416
Accumulated depreciation 1 January 2020	0	113,269	17,739	13,371	22,892	42,227	8,108	217,606
Depreciation and amortization	0	12,519	16,445	890	875	3,755	2,238	36,722
Translation of assets from branch currencies to CZK	0	(68)	0	(45)	(101)	(90)	26	(279)
Derecognition	0	0	0	(245)	0	(2,711)	0	(2,955)
31 December 2020	0	125,720	34,184	13,971	23,666	43,182	10,371	251,094
Impairment	2,090	0	0	0	0	0	0	2,090
Net book value 31 December 2020	5,045	51,274	39,052	13,654	2,926	5,141	3,141	120,232
1 January 2020	6,999	36,501	55,497	14,632	3,712	7,510	5,300	130,151

The right-of-use asset relates to the leases of office space. The item means of transport also includes the right-of-use asset related to the use of cars; the right-of-use asset related to cars totaled CZK 2,404 thousand (2019: CZK 3,818 thousand). The total net book value of the right-of-use asset was CZK 41,456 thousand as at 31 December 2020 (2019: CZK 59,315 thousand). The depreciation of the right-of-use asset totaled CZK 16,445 thousand in (2019: CZK 18,791 thousand).

In the course of 2020, the Company spent CZK 13,406 thousand on research and development (2019: CZK 18,974 thousand).

Goodwill reported in the statement of financial position relates to the acquisition of a branch in Italy in 2013. At the acquisition date, the value of goodwill was determined as the difference between (i) the purchase price of the controlling interest and (ii) the fair value of acquired assets less the fair value of liabilities assumed at the acquisition date.

The Company has assessed the impairment of goodwill. Recoverable amount is determined as the value in use and is based on a long-term cash flow plan. Based on the assessment of the recoverable amount of the cash-generating unit to which the goodwill is allocated (the Italian branch of the Company), the Company reported a decrease in the value of goodwill in 2020 in the amount of CZK 2,090 thousand. CZK. The book value of goodwill as at 31 December 2020 is CZK 5,045 thousand.

21. ISSUED CAPITAL

The Company's share capital represents 198,000 shares with a nominal value of CZK 2,250 per share. In 2020 and 2019, there was no change in the share capital of the Company. The share capital was fully paid up.

22. RETAINED EARNINGS

The profit for 2019 was transferred to the Company's Retained Earnings based on the decision of the General Meeting of the Company. The Company's management anticipates that the profit of 2020 will also be transferred to Retained Earnings.

The Company's management closely monitors the situation and takes measures to minimize the impact of the global CoVID-19 pandemic on the Company's operations. The situation is constantly evolving, however, the current course of the pandemic in 2020 did not have a material impact on the Company's financial results, especially on the quality of the portfolio of financial instruments, financial performance and capital adequacy.

23. TRADE AND OTHER LIABILITIES

	As at 31 December 2020 In CZK thousands	As at 31 December 2019 In CZK thousands
Payables to suppliers	47,094	42,168
Liabilities from securities trading	682,540	823,757
Liabilities from repo operations	2,397,411	1,990,409
Liabilities from loans	82,103	527,225
Liabilities to the state budget	15,697	15,060
Unbilled liabilities	66,780	23,241
Trade and other payables, total	3,291,625	3,421,860

Payables to suppliers include payables that remained outstanding at the end of 2020. No liabilities were overdue as at 31 December 2020.

Securities trading liabilities include capital transactions for clients that remained unpaid at the end of 2020 and were subsequently settled in January 2021.

Estimated accounts payable mainly include an estimate of the contribution to the guarantee fund, bonuses, reserve for untaken holiday and estimated services not invoiced by 31 December 2020.

Securities provided as collateral under repurchase agreements amounted to CZK 3,343,097 thousand (2019: CZK 2,553,551 thousand).

24. AMOUNTS OWED TO BANKS

Liabilities to banks of CZK 77,888 thousand (2019: CZK 252,350 thousand) represent short-term bank loans, which are used primarily to cover stock exchange collateral and trade settlement.

The table below summarizes income and expenditure related to liabilities to banks:

	2020 In CZK thousands	2019 In CZK thousands
Liabilities to banks as at 1 January	252,350	415,433
Drawing bank loans	0	0
Accrued interest	6 597	10 139
Repayments of bank loans	-181 059	-173 222
Liabilities to banks as at 31 December	77,888	252,350

25. LEASE LIABILITIES

The table below summarizes lease liabilities:

	2020 In CZK thousands	2019 In CZK thousands
Lease liabilities as at 1 January	60,054	75,459
Additions	0	4,779
Interests	1,286	1,450
Installments	(19,986)	(21,634)
Lease liabilities as at 31 December	41,354	60,054
Short-term lease liabilities	*16,309*	*17 306*
Long-term liabilities from lease agreements	*25,045*	*42 748*

Lease payables are measured at the present value of the outstanding lease payments at the inception of the lease. In the case of the Company, these payments include fixed or variable rents. The variable component of the rent depending on the development of the price index is determined at the commencement of the lease according to the value of the index on the date of commencement of the lease. To determine the present value, the Company uses the Company's current borrowing rate as the discount rate.

The lease liability is subsequently increased by accrued interest and reduced by the rent paid.

The short-term portion of the lease liability represents the present value of the lease payments due within 12 months after the end of the current accounting period.

The amount of depreciation of rights of use is disclosed in Note 20, costs arising from short-term leases and contracts for low-value assets in Note 11, interest arising from leases in Note 6.

The obligations arise exclusively from contracts relating to office space and passenger cars. The Company is not exposed to any potential payments that would not be included in the valuation of lease liabilities.

26. ACCRUALS AND OTHER LIABILITIES

Accruals and other liabilities as of 31 December 2020 in the amount CZK 717 thousand (2019: CZK 13,591 thousand) mainly represent accepted commissions, which belong to the contractual partners, and accruals of office space lease.

27. PROVISIONS

The most significant item in the provisions is the provision for post-employment benefits formed by the TFR fund for employees of a branch in Italy, which is compulsory under Italian law. It is an estimate of the amount that will be paid to employees upon termination of employment. The Company holds the same amount of cash (reported in the statement of financial position under “Cash and deposits with banks”).

In 2020, the Company reported CZK 6,592 thousand related to these benefits. In total, it reported a provision of CZK 3,562 thousand, representing the expected payments that the Company will be forced to make in connection with these benefits in the future.

28. LIABILITIES FROM ISSUED DEBT SECURITIES

In 2018, the Company issued bonds with a fixed interest rate of 3.10%, with a nominal value of CZK 200,000 thousand. CZK and with a maturity date of 2020. The liabilities from issued bonds as at 31 December 2020 were fully paid up with the remaining value 0. was CZK thousand (2019: CZK 12,930 thousand). After the repayment of these bonds, the Company issued on 2 November 2020 a new issue of bonds with a fixed interest rate of 3%, with a nominal value of CZK 200,000 thousand CZK and with a maturity date of 2 November 2023. Liabilities from these issued bonds as at 31 December 2020 amounted to CZK 2,110 thousand.

The Company also provides its own issued bonds as collateral in repo transactions. The total amount of own issued bonds thus provided was CZK 164,275 thousand as at 31 December 2020 (CZK 179,993 thousand as at 31 December 2019). Liabilities from these operations are reported under Trade and other payables.

29. RISK MANAGEMENT

The Company's management regularly assesses and evaluates possible risks to which the Company is exposed. The key risks arising from the financial asset of financial liabilities include currency risk, liquidity risk, credit risk and market risk. The Company's goal is to minimize risks. To this end, the Company uses a system of internal rules (including a system of limits for maximum risk exposure); in selected cases, the Company uses financial derivatives to hedge risks. Compliance with internal rules is regularly evaluated by the Company's management and the internal audit department.

30. CURRENCY RISK

The Company conducts business activities in Czech crowns and other major currencies in the region of Central and Eastern Europe. The Company has established rules for holding current assets, primarily cash in individual currencies, in accordance with its internal guidelines for foreign exchange risk management.

Currency risk is managed by the Treasury Department, which continuously monitors currency positions in current assets and decides on their structure and amount, specifically in relation to the currency structure of long-term liabilities.

Below is an analysis of selected assets and liabilities of the Company as at 31 December 2020 in CZK thousands according to individual currencies:

2020	CZK	EUR	PLN	Other	Total
Cash and cash equivalents	23,400	88,782	25,352	52,541	190,075
Financial assets held for trading	106,271	34,092	9,368	68,707	218,438
Other financial assets at fair value through profit or loss	49,178	27,477	0	56,823	133,479
Trade and other receivables	455,353	1,689,537	176,341	1,353,907	3,675,137
Financial assets measured at amortized cost	0	0	0	0	0
Income tax receivables	0	710	137	16	862
Deferred income and other assets	3,010	3,566	630	8,400	15,606
Long-term receivables	0	5,189	0	0	5,189
Deferred tax asset	3,935	0	0	0	3,935
Intangible assets, net	50,900	5,401	18	0	56,319
Tangible assets, net	33,686	29,169	1,056	3	63,914
Total assets	725,735	1,883,921	212,901	1,540,396	4,362,953
Basic capital	445,500	0	0	0	445,500
Reserve fund formed from profit	15,293	0	0	0	15,293
Retained earnings / (loss)	293,695	0	0	0	293,695
Fund from revaluation of financial assets and foreign operations	0	0	0	0	0
Profit for the accounting period	48,861	0	0	0	48,861
Revaluation reserve	841	0	0	0	841
Deferred tax liability	0	0	0	0	0
Liabilities from debt securities issued	2,110	0	0	0	2,110
Liabilities from lease agreements – long-term	0	25,045	0	0	25,045
Provision for post – employment benefits	2,160	3,319	0	(0)	5,479
Liabilities to banks	4	77,064	0	821	77,888
Financial liabilities for trading	100,987	31,694	0	0	132,681
Trade and other payables	805,087	1,023,109	193,423	1,270,006	3,291,625
Liabilities from lease agreements – short-term	0	16,309	0	0	16,309
Accruals and other liabilities	0	335	382	0	717
Income tax liability	6,909	0	0	0	6,909
Total liabilities	1,721,446	1,176,875	193,805	1,270,827	4,362,953
Impact of off-balance sheet items	948,780	(679,157)	(28,200)	(241,424)	0
Net currency position in the statement of financial position as at 31 December 2020	(46,931)	27,889	(9,103)	28,145	0

2019	CZK	EUR	PLN	Other	Total
Cash and cash equivalents	48,985	131,299	55,920	22,932	259,136
Financial assets held for trading	111,729	35,705	11,886	116,869	276,189
Other financial assets at fair value through profit or loss	160,000	203,525	0	9,868	373,393
Trade and other receivables	740,069	1,816,943	147,727	813,699	3,518,438
Financial assets measured at amortized cost	0	0	0	44,231	44,231
Income tax receivables	6,223	2,500	141	18	8,883
Deferred income and other assets	2,998	2,861	726	11,342	17,927
Long-term receivables	0	5,545	0	0	5,545
Deferred tax asset	996	0	0	0	996
Intangible assets, net	37,786	5,618	96	0	43,500
Tangible assets, net	36,876	48,717	937	121	86,652
Total assets	1,145,662	2,252,714	217,433	1,019,081	4,634,890
Basic capital	445,500	0	0	0	445,500
Reserve fund formed from profit	15,293	0	0	0	15,293
Retained earnings / (loss)	252,837	0	0	0	252,837
Fund from revaluation of financial assets and foreign operations	0	0	0	0	0
Profit for the accounting period	40,858	0	0	0	40,858
Revaluation reserve	1,137	0	0	0	1,137
Deferred tax liability	0	0	0	0	0
Liabilities from debt securities issued	12,930	0	0	0	12,930
Liabilities from lease agreements – long-term	0	42,748	0	0	42,748
Provision for post – employment benefits	2,160	3,842	0	0	6,002
Liabilities to banks	150,198	99,375	0	2 ,777	252,350
Financial liabilities for trading	67,050	27,504	0	17,924	112,478
Trade and other payables	1,057,166	1,363,947	161,060	839,687	3,421,860
Liabilities from lease agreements – short-term	0	17,306	0	0	17,306
Accruals and other liabilities	8,237	4,871	454	28	13,591
Income tax liability	0	0	0	0	0
Total liabilities	2,053,365	1,559,595	161,514	860,416	4,634,890
Impact of off-balance sheet items	861,518	(689,062)	(33,938)	(138,519)	0
Net currency position in the statement of financial position as at 31 December 2019	(46,185)	4,058	21,982	20,146	0

The Company regularly evaluates the possible impact of exchange rate changes on profit or loss and equity. The following table summarizes the impact of changes in exchange rates on the Company's profit and loss (in thousands of CZK) when the CZK exchange rate changes against other currencies by +/- 10%.

2020	Strengthening of CZK (+10%)	Weakening of CZK (-10%)
Impact on profit (+ increase / - decrease)	(4,693)	4,693
Impact on equity (+ increase / - decrease)	0	0

2019	Strengthening of CZK (+10%)	Weakening of CZK (-10%)
Impact on profit (+ increase / - decrease)	(6,349)	6,349
Impact on equity (+ increase / - decrease)	0	0

31. LIQUIDITY RISK MANAGEMENT

The Company's liquidity management is based on the fact that most business operations and transactions that the Company negotiates comply with the settlement convention T + 2 or T + 3 (settlement date + 2 or 3 business days). The Company's liquidity management is responsible for the Treasury Department, which works closely with the Settlement Department. In particular, the Treasury Department analyzes the time and currency structure of future receivables and payables so that the Company has a sufficient amount of readily liquid funds at its disposal at all times.

The internal regulations also stipulate the volume of purchases and sales that the trader may conclude on his own account during the day and the value of the securities portfolio that the trader may hold in the Company's own account at the end of the trading day.

Appropriate inspections of compliance with the set limits take place throughout the day and involve authorized employees of the Trading, Treasury and Settlement departments.

Below is an analysis of the Company's financial liabilities as at 31 December 2020 and 31 December 2019, respectively, according to the remaining maturity in thousands of CZK. Items with an unspecified maturity date are included in the "Unspecified" column.

Maturity:	On request	< 3 months	< 1 year	< than 5 years	> 5 years	Not specified	Total
Liabilities from debt securities issued	0	0	45	2,065	0	0	2,110
Liabilities to banks	0	77,888	0	0	0	0	77,888
Financial liabilities for trading	0	132,681	0	0	0	0	132,681
Trade and other payables	0	3,224,845	66,780	0	0	0	3,291,625
Liabilities from lease agreements		1,354	14,955	25,045			41,354
Accruals and other liabilities	0	717	0	0	0	0	717
Income tax payable	0	0	6,909	0	0	0	6,909
Total 31 December 2020	0	3,437,485	88,689	27,110	0	0	3,553,284

Maturity:	On request	< 3 months	< 1 year	< than 5 years	> 5 years	Not specified	Total
Liabilities from debt securities issued	0	0	45	12,885	0	0	12,930
Liabilities to banks	0	252,350	0	0	0	0	252,350
Financial liabilities for trading	0	112,478	0	0	0	0	112,478
Trade and other payables	0	3,398,620	23,240	0	0	0	3,421,860
Liabilities from lease agreements		1,414	15,892	42,748			60,055
Accruals and other liabilities	0	13,591	0	0	0	0	13,591
Income tax payable	0	0	0	0	0	0	0
Total 31 December 2019	0	3,778,453	39,177	55,633	0	0	3,873,264

The carrying amount does not differ materially from the contractual cash flows of financial liabilities. The expected maturity of financial assets and financial liabilities does not differ significantly from the expected maturity.

32. CREDIT RISK

Credit risk arises mainly from receivables from outstanding securities transactions, receivables from loans and repo loans, trade receivables and debt securities. The Company manages and evaluates credit risk separately for each of the above categories separately. The Company's objective is to minimize losses resulting from the inability of debtors to repay the Company's receivables by evaluating the creditworthiness and regular monitoring of counterparties with which the Company enters into transactions and / or to which it provides its services. The Company methodically manages and continuously evaluates the credit risk of counterparties. New clients go through the so-called account opening procedure, where after obtaining and analyzing information, there is an internal (or external) credit rating. The counterparty is then assigned a limit on the total open position. The Treasury and Compliance departments continuously monitor the hedging and risk assessment of the loans provided.

In the case of receivables from securities trading, the Company takes into account the method of settlement of trades (delivery versus payment) when assessing credit risk. As a result, these receivables carry minimal credit risk. Based on historical experience and the nature of receivables, the Company assessed the risk of expected twelve-month losses as insignificant. In 2020 and 2019, none of the receivables reported in this category showed a significant increase in credit risk. The Company did not report any impairment loss on these receivables.

In the case of receivables from reverse repo operations and buy-sell operations, the Company assesses the credibility of the debtor and the value of the securities with which the receivable will be secured before concluding the transaction. The Company always requires that the value of collateral when arranging a transaction exceeds the value of the receivable. For receivables from reverse repo operations and buy-sell operations, the impairment loss is primarily set at the 12-month expected loss. In 2020 and 2019, none of the receivables reported in this category showed a significant increase in credit risk. The Company did not report any impairment loss on these receivables.

The Company provides loans to selected business partners. Loans are granted after prior assessment by the borrower and, unless it is a related party loan, the Company requires adequate collateral. All loans are provided only after the approval of the statutory body of the Company. For receivables from loans to non-banking entities, the impairment loss is primarily determined at the expected 12-month loss. Expected losses are based on an individual assessment of individual debtors. Given that most loans are provided to related companies, the Company assesses the risk of expected credit losses on existing receivables as insignificant. In 2020, none of the receivables showed a significant increase in credit risk, nor was an impairment loss recognized. In 2019, there was a significant deterioration in credit risk for one receivable of CZK 1,500 thousand. For this receivable, the Company reported an impairment loss of CZK 1,500 thousand, which corresponds to the expected loss for the remaining life of the receivable.

Trade receivables mainly represent receivables for asset management services, investment banking and analytical services. Before accepting an order, the Company always assesses the client's ability to pay the fee. In the case of trade receivables, the impairment loss is based on the overdue period of the receivable. Based on historical experience and the nature of receivables, the Company assessed the risk of expected losses as insignificant (2020: CZK 68 thousand; 2019: CZK 1 485 thousand).

As at 31 December 2020, the Company is exposed to credit risk, which is due to:

(i) the carrying amounts of receivables recognized in the statement of financial position;
(ii) the maximum value of the performance of the financial guarantees provided.

The Company did not provide any financial guarantees in 2020. The Company assessed the risk of expected losses from the provided guarantees as negligible. Therefore, the Company does not report any impairment loss for the financial guarantees provided.

The Company also evaluates credit risk when purchasing debt securities. As at 31 December 2020 and 31 December 2019, all debt securities were classified as financial assets held for trading; any credit losses were thus reflected in fair value directly in the Company's costs.

The Company is obliged to comply with the rules restricting credit concentration in accordance with the rules of credit exposure. As at 31 December 2020 and 31 December 2019, the credit exposure to one debtor did not exceed 10% of the total value of all receivables of the Company.

33. INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The period of time during which the interest rate of a financial instrument is fixed indicates the extent to which the instrument is exposed to interest rate risk. Most transactions that the Company enters into with an interest rate component have a fixed interest rate. Therefore, the Company is not exposed to the risk of duration mismatch.

Due to the nature of operations and the contractual maturity of financial assets and liabilities, the Company is not exposed to significant interest rate risk. The effects of changes in interest rates on the Company's profit or loss and equity would not be significant.

34. MARKET RISK

Market risk is the risk of changes in the prices of securities held by the Company in its portfolios. To measure and manage market risks, the Company mainly uses a system of limits that result from the Company's needs and external requirements.

The Company trades in the following instruments associated with market risk:

- shares traded on the Prague Stock Exchange,
- selected foreign shares traded on foreign stock exchanges
- and derivative contracts.

The following table calculates the sensitivity analysis of equity (Delta) in thousands of CZK. Sensitivity represents a shift of +/- 5% of all securities in the portfolio.

2020	Sensitivity Long position	Sensitivity Short position	Total sensitivity
Impact on equity	11,240	3,227	8,013
Impact on profit (+ increase / - decrease)	7,246	3,227	4,019

2019	Sensitivity Long position	Sensitivity Short position	Total sensitivity
Impact on equity	29,554	3,553	26,001
Impact on profit (+ increase / - decrease)	11,155	3,553	7,602

35. CAPITAL MANAGEMENT

The Company's basic tool for capital management is to monitor and comply with the capital adequacy limit.

The Company also manages its capital to be able to continue its business activities while maximizing returns for shareholders through the optimization of debt and capital balances.

For management purposes, the Company considers as capital all components that form the so-called regulatory capital of a securities trader (especially share capital, retained earnings, profit or loss for the current period and funds from revaluation of financial assets measured at fair value through other comprehensive income). The value of regulatory capital as at 31 December 2020 is CZK 699,010 thousand (2019: CZK 671,268 thousand).

The Company is obliged to comply with the rules governing capital adequacy and to maintain the value of capital adequacy at a minimum of 8%. The Company complied with these rules throughout 2020 and 2019. As at 31 December 2020, the value of this indicator was 29% (as at 31 December 2019, the value was 23%).

36. ESTIMATED FAIR VALUE OF THE COMPANY'S FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts of financial assets and liabilities measured at amortized cost do not differ materially from their fair values. In most cases, these are short-term receivables and payables with an original maturity of less than one year.

The fair value of these assets and liabilities (excluding receivables from restitution claims) is determined as the present value of future cash flows. Due to the fact that the time value is negligible, and the credit risk is reflected in the impairment loss, the difference between the book value and the fair value is insignificant.

The fair value of receivables from Romanian restitution claims is determined on the basis of the latest available prices at which these receivables were acquired. The difference between the market price and the accrued value is not significant.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial assets and financial liabilities held for trading and other financial assets at fair value through profit or loss are carried at fair value in accordance with accounting policies.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in the valuation. The fair value hierarchy has the following levels:

a. quoted prices (unadjusted) in active markets for the same assets or liabilities (level 1),
b. inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2);
c. inputs for assets or liabilities that are not based on observed market data (unobservable inputs) (level 3).

2020	Total In CZK thousands	Level 1 In CZK thousands	Level 2 In CZK thousands	Level 3 In CZK thousands
Financial assets measured at fair value				
Financial assets held for trading				
- Listed shares and equity securities	144,925	144,925	0	0
- Fair value of financial derivatives	73,513	0	73,513	0
Other financial assets measured at fair value				
-Unquoted bonds	53,600	0	0	53,600
-Unquoted shares	79,879	0	0	79,879
Financial liabilities for trading				
- Liabilities from short sales of shares	(64,544)	(64,544)	0	0
- Fair value of financial derivatives	(68,137)	0	(68,137)	0
Total	219,236	80,382	5,375	133,479

2019	Total In CZK thousands	Level 1 In CZK thousands	Level 2 In CZK thousands	Level 3 In CZK thousands
Financial assets measured at fair value				
Financial assets held for trading				
- Listed shares and equity securities	223,103	223,103	0	0
- Fair value of financial derivatives	53,086	0	53,086	0
Other financial assets measured at fair value				
-Unquoted bonds	5,418	0	0	5,418
-Unquoted shares	367,975	0	0	367,975
Financial liabilities for trading				
- Liabilities from short sales of shares	(71,062)	(71,062)	0	0
- Fair value of financial derivatives	(41,416)	0	(41,416)	0
Total	537,104	152,041	11,670	373,393

Financial instruments measured at fair value based on level 3

2020	Unlisted bonds In CZK thousands	Unquoted shares In CZK thousands
Opening balance	5,419	367,975
Purchase	925,950	248,623
Maturing bonds	0	0
Sales	877,768	536,719
Final balance	53,600	79,879

2019	Unlisted bonds In CZK thousands	Unquoted shares In CZK thousands
Opening balance	0	131,814
Purchase	456,771	654,372
Maturing bonds	0	0
Sales	451,352	418,212
Final balance	5,419	367,975

Unlisted units for which level 3 fair value measurement is used are primarily real estate sub-fund certificates that the Company sells to investors.

The following table summarizes the manner in which fair value is determined for financial assets and financial liabilities (particularly the method of determining fair value and the inputs used for valuation):

Financial assets / financial liabilities	Level	Method of determining fair value	Significant unobservable inputs	Sensitivity of fair value to unobservable inputs
Listed shares and equity securities	1	Market prices on regulated markets	N/A	N/A
Liabilities from short sales	1	Market prices on regulated markets	N/A	N/A
Financial derivatives	2	Discounted cash also based on forward exchange rates	N/A	N/A
Unquoted shares	3	Yield method based on expected cash flows discounted by average cost of capital (WACC)	The value of the WACC parameter determined using the CAPM model The amount of expected cash flows based on the expected growth of sales	An increase in the WACC parameter would lead to a decrease in the fair value of unlisted units A reduction in expected sales growth would lead to a decrease in the fair value of unlisted units
Unquoted bonds	3	Yield method based on expected cash flows discounted by a rate including a risk-free and risky component (issuer risk, underlying assets risk, etc.)	The amount of expected cash flows based on the cash flows of the underlying assets The amount of the risk-free rate for individual currencies and other components determining the market discount rate	A decrease in expected cash flows from the underlying assets or an increase in the discount rate would lead to a decrease in the market price of unquoted bonds

The impact of changes in the fair value of financial assets for which level 3 is used to determine fair value on the Company's income and expenses in 2020 was CZK 6,066 thousand (2019: CZK 3,766 thousand).

38. RELATED PARTIES

During the year, the Company entered into the following transactions with related parties of the WOOD & Company Group S.A.

38.1. Key management of the Company

The key management of the Company includes the ultimate owners of the Company. During the accounting period, short-term remuneration to key members of management amounted to CZK 5,147 thousand (2019: CZK 5,147 thousand). The members of the key management are three persons who have the authority and responsibility for the planning, management and control activities of the Company. The key management did not receive any other rewards.

38.2. WOOD & Company Group S.A. ("WOOD SA")

As at 31 December 2020, the Company reported a receivable of CZK 2 thousand (2019: CZK 61,031 thousand) from WOOD SA (included in the item "Receivables from loans on the money market" in Note 15).

As at 31 December 2020, the Company reported a liability to WOOD SA of CZK 3,322 thousand (2019: CZK 3,216 thousand), which is included in the item "Trade and other payables" in Note 23.

The Company reports interest income of CZK 619 thousand (2019: CZK 2,093 thousand) from a loan provided by WOOD SA.

38.3. Other related parties

As at 31 December 2020 and 31 December 2019, the Company reports the following transactions with Other related parties, which the Company considers to be companies in the same holding group in accordance with [IAS 24.9b vi.] with the exception of the parent company WOOD & Company Group S.A.

	2020 In CZK thousands	2019 In CZK thousands
Trade and other receivables	63,483	48,284
Trade and other payables	20,599	179
Interest income	1,241	0
Interest expenses	488	885
Fee and commission expense	0	2,911
Operating costs	501	187
Other income	543	936

38.4. Related parties outside the WOOD & Company Group S.A.

As at 31 December 2020, the Company reports the following transactions outside the WOOD & Company Group S.A. according to IAS 24.

2020	Closely related parties in accordance with IAS 24.9a (iii) In CZK thousands	Other related parties according to IAS 24.9b In CZK thousands
Trade and other receivables	577,393	294,149
Trade and other payables	35,184	80
Interest income	14,595	11,033
Interest expenses	1,674	1,258
Fee and commission income	840	37

2019	Closely related parties in accordance with IAS 24.9a (iii) In CZK thousands	Other related parties according to IAS 24.9b In CZK thousands
Trade and other receivables	440,853	34,233
Trade and other payables	137,626	6
Interest income	807	42
Interest expenses	229	0
Fee and commission income	261	0

39. ASSETS IN ADMINISTRATION, CUSTODY AND MANAGEMENT

	As at 31 December 2020 In CZK thousands	As at 31 December 2019 In CZK thousands
Assets accepted for administration and safekeeping	16,433,005	12,784,082
Assets accepted for management	2,274,346	1,315,528

Assets accepted for administration and custody do not include assets of CZK 982,588 thousand (2019: CZK 982,169 thousand), which are accepted for management and at the same time for administration and custody at the Company.

40. SET-OFF OF FINANCIAL ASSETS AND LIABILITIES

The Company enters into agreements with counterparties that contain an agreement on the final settlement of profits and losses.

The Company enters into foreign exchange transactions with counterparties – banks with which it may have cash accounts. The fair value of these short-term foreign exchange transactions is insignificant due to the volume of funds deposited with the bank. The fair values of foreign exchange transactions recognized in Note 15 may be offset in the event of a counterparty default.

The Company enters into repurchase agreements and reverse repurchase agreements with counterparties, where it uses securities as collateral. As at 31 December 2020, no repo operation was entered into that could be offset against another operation of the given counterparty reported in the Company's financial position.

The Company enters into transactions for the purchase and sale of securities. These transactions are recorded in the statement of financial position as receivables or payables from securities trading. Receivables and payables from securities trading are kept in the accounting records according to individual currencies and counterparties. They are therefore reported in the statement of financial position at netted value.

The Company is obliged to deposit part of the funds as collateral for the closed volume of trades with settling counterparties. This collateral cannot be withdrawn for specific transactions, therefore it cannot be included in the statement of financial position.

41. CONTINGENT LIABILITIES

The members of the Board of Directors of the Company believe that the Company is not exposed to any contingent liabilities of any kind as at the date of the Company's financial statements and no provisions have been made for them.

42. SUBSEQUENT EVENTS

After the balance sheet date, the Company received a decision on a fine for trading from the Turkish stock exchange regulator. The Company considers the fact to be an event adjusting the financial statements as it concerned incorrectly marked transactions carried out in 2020. Therefore, the Company made an estimate of a fine in the full amount of CZK 4,066 thousand in the financial statements. However, the Company will further appeal against this fine to the Turkish regulator.

There were no other significant events after the balance sheet date that would have a material impact on the financial statements for the year ended 31 December 2020.

Vladimír Jaroš
Vice-chairman

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