

**J&T SECURITIES MANAGEMENT PLC**

REPORT AND FINANCIAL STATEMENTS  
31 December 2019

# **J&T SECURITIES MANAGEMENT PLC**

---

## **REPORT AND FINANCIAL STATEMENTS** Year ended 31 December 2019

### **CONTENTS**

	<b>PAGE</b>
Board of Directors and other officers	1
Management Report	2 - 4
Independent auditor's report	5 - 7
Statement of profit or loss and other comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10 - 11
Cash flow statement	12
Notes to the financial statements	14 - 56

# J&T SECURITIES MANAGEMENT PLC

---

## BOARD OF DIRECTORS AND OTHER OFFICERS

<b>Board of Directors:</b>	Jarmila Janosova Anastasios Angelides (appointed on 2 January 2020) Baris John Nicolaides (appointed on 20 June 2018 and resigned on 2 January 2020)
<b>Company Secretary:</b>	D. H. Nominees Ltd
<b>Independent Auditors:</b>	KPSA CHARTERED ACCOUNTANTS 15 Themistokli Dervi Street 1st floor, P.O. Box 27040 1641, Nicosia Cyprus
<b>Registered office:</b>	Klimentos, 41-43 Klimentos Tower, 2nd floor, Flat/Office 22 1061, Nicosia Cyprus
<b>Bankers:</b>	J&T Banka, a.s. Postova banka, a.s.
<b>Legal Entity Identifier:</b>	315700GBLUBZ50S45F53
<b>Registration number:</b>	HE260821

# J&T SECURITIES MANAGEMENT PLC

---

## MANAGEMENT REPORT

The Board of Directors presents its report and audited financial statements of the Company for the year ended 31 December 2019.

### **Principal activities and nature of operations of the Company**

The principal activities of the Company, which are unchanged from last year, are the holding of investments and trading in listed securities, as well as the provision of financing.

On 20 June 2018, the Extraordinary Meeting of the Shareholders decided to convert the Company to a Public Limited Company.

### **Change of Company name**

On 20 June 2018, following the conversion of the Company to a Public Limited Company, the Company changed its name from J&T Securities Management Limited to J&T Securities Management PLC.

### **Review of current position, future developments and performance of the Company's business**

The Company's development to date, financial results and position as presented in the financial statements are considered satisfactory.

As part of the Company's plans for future development, is the use of the total net proceeds from the bonds issue for refinancing of present debts purposes and for developing its business activities. In addition, the provision of funding to companies coming from the group of the shareholder.

### **Principal risks and uncertainties**

The principal risks and uncertainties faced by the Company are disclosed in notes 7 and 8 of the financial statements.

### **Use of financial instruments by the Company**

The Company is exposed to market price risk, interest rate risk, credit risk and dividends from the financial instruments it holds.

The Company's financial risk management objectives and policies are to acquire ownership, investments and assets in financial markets and private equity. Nowadays, the company also provides funding to companies in the shareholder group. In the future, the company will continue to do so, while planning to increase the share of the investment to the detriment of its own exposure to group companies.

### **Market price risk**

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The Company's financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss are susceptible to market price risk arising from uncertainties about future prices of the investments. The Company's market price risk is managed through diversification of the investment portfolio.

### **Interest rate risk**

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

# J&T SECURITIES MANAGEMENT PLC

---

## MANAGEMENT REPORT

### **Credit risk**

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities - primarily trade receivables and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments.

Credit risk related to trade receivables: This is managed based on established policies, procedures and controls relating to customer credit risk management. Credit limits are established for all customers based on internal ratings. Credit quality of the customer is assessed and outstanding customer receivables are regularly monitored. The Company does not hold collateral as security.

Credit risk related to financial instruments and cash deposits: Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.

### **Liquidity risk**

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

### **Results and Dividends**

The Company's results for the year are set out on page 8.

### **Dividends**

The Board of Directors may recommend the payment of a dividend after the financial statements are issued.

### **Share capital**

#### **Authorised capital**

Under its Memorandum the Company fixed its share capital at 1.000 ordinary shares of nominal value of €1 each.

On 18 August 2011, the Company increased its authorised share capital by 10.000 ordinary shares of nominal value of €1 each. As a result, the authorised share capital of the Company increased to 11.000 ordinary shares of nominal value of €1 each.

On 20 June 2018, the Shareholders resolved with a Special Resolution, to increase the Authorised Share Capital of the Company by 15.000 ordinary shares, of nominal value of €1 per share.  
The total Authorised Share Capital after the increase is 26.000 shares.  
The new shares were all issued.

On 30 December 2019, the Shareholders resolved with a Special Resolution, to increase the Authorised Share Capital of the Company by 6.000 ordinary shares, of nominal value of €1 per share.  
The total Authorised Share Capital after the increase is 32.000 shares.  
The new shares were all issued.

#### **Issued capital**

On 18 August 2011, the Company increased its share capital by 10.000 ordinary shares of nominal value of €1 each at a total share premium of €50.914.000. As a result, the issued share capital of the Company increased to 11.000 ordinary shares of nominal value of €1 each.

On 20 June 2018, the Company increased its share capital by 15.000 ordinary shares of nominal value of €1 each. As a result, the issued share capital of the Company increased to 26.000 ordinary shares of nominal value of €1 each.

On 30 December 2019, the Company increased its share capital by 6.000 ordinary shares of nominal value of €1 each at a total share premium of €5.994.000. As a result, the issued share capital of the Company increased to 32.000 ordinary shares of nominal value of €1 each.

# J&T SECURITIES MANAGEMENT PLC

---

## MANAGEMENT REPORT

### **Board of Directors**

The members of the Company's Board of Directors as at 31 December 2019 and at the date of this report are presented on page 1. All of them were members of the Board of Directors throughout the year ended 31 December 2019.

Mr. Baris John Nicolaidis who was appointed on 20 June 2018, resigned on 2 January 2020 and on the same date, Mr. Anastasios Angelides was appointed in his place.

In accordance with the Company's Articles of Association all Directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

### **Events after the reporting period**

Any significant events that occurred after the end of the reporting period are described in note 29 to the financial statements.

### **Independent Auditors**

The Independent Auditors, KPSA, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

  
D.H. NOMINEES LTD

D. H. Nominees Ltd  
Secretary

Nicosia, 28 April 2020

## Independent Auditor's Report

### To the Members of J&T Securities Management PLC

#### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of J&T Securities Management PLC (the "Company"), which comprise the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards 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 International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Corporation tax

Due to the complexity and the judgment needed for calculating the disallowed interest relating to loans payable that is to be included in the Tax Computation, the matter constitutes a key audit matter. Management judgment includes consideration of the tax regulations behind any treatment and where there are any uncertainties for the correct treatment, tax experts' opinion is sought.

Management's disclosures with regards to the uncertainties are contained in Note 8, whilst the income tax disclosures are also contained in Note 15.

## **Independent Auditor's Report (continued)**

### **To the Members of J&T Securities Management PLC**

In order to evaluate the recognition and measurement of the disallowed interest included in the corporation tax calculation, we have performed the following work:

- (i) Analysed the tax calculations carried out by the Management for compliance with the relevant laws and regulations
- (ii) Performed analytical procedures to ensure the consistency with prior years treatment
- (iii) Evaluated the Management's assessment about which loans constitute back to back loans, the interest income of which was taxed based on the minimum margin rules
- (iv) Evaluated the Management's assessment relating to the part of the interest resulting from the debentures that could be allowed for tax purposes
- (v) Reviewed the transfer pricing study prepared for the Company and assessed whether (1) it is still valid for the year and (2) the tax margins used by the Company for the back to back loans are still within the range.

All the above were assessed and examined based on our professional judgment, valuable input, sufficient and detailed conversation with those charged with governance. It was the issue on which we had the most robust discussion with Management. Our factors in determining the above matter as a key audit matter that requires special attention, were both, quantitative and qualitative, always having in mind its complexity.

### **Responsibilities of the Board of Directors for the Financial Statements**

The Board of Directors is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, 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 Board of Directors 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 ISAs 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 ISAs, we exercise professional judgment and maintain professional scepticism 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.



## Independent Auditor's Report (continued)

### To the Members of J&T Securities Management PLC

#### Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- 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.
- 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 a true and fair view.

We communicate with the Board of Directors 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.

#### Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, the Management Report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap 113, and the information given is consistent with the financial statements.
- In our opinion, and in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Management Report.

#### Other Matter

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.



Stelios Saphiris  
Certified Public Accountant and Registered Auditor  
for and on behalf of

**KPSA**  
**CHARTERED ACCOUNTANTS**  
15 Themistokli Dervi Street  
1st floor, P.O. Box 27040  
1641, Nicosia  
Cyprus

Nicosia, 28 April 2020

## J&T SECURITIES MANAGEMENT PLC

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME Year ended 31 December 2019

	Note	2019 €	2018 €
<b>Revenue</b>	9	<b>8.221.165</b>	17.076.088
Other operating income	10	<b>33.569</b>	8.423
Net profit from investing activities	11	<b>6.168.188</b>	5.343.719
Administration expenses		<b>(184.601)</b>	(216.603)
Net impairment (loss) on financial and contract assets		<b>(1.356.733)</b>	(242.628)
Other expenses	12	<b>(73.388)</b>	(10.387.410)
<b>Operating profit</b>	13	<b>12.808.200</b>	11.581.589
Finance costs	14	<b>(10.589.230)</b>	(9.214.716)
<b>Profit before tax</b>		<b>2.218.970</b>	2.366.873
Tax	15	<b>(82.839)</b>	(107.196)
<b>Net profit for the year</b>		<b>2.136.131</b>	2.259.677
<b>Other comprehensive income</b>			
Financial assets at fair value through other comprehensive income - Profit transferred to net profit due to disposal		<u>267.415</u>	<u>349.703</u>
<b>Other comprehensive income for the year</b>		<u>267.415</u>	<u>349.703</u>
<b>Total comprehensive income for the year</b>		<u>2.403.546</u>	<u>2.609.380</u>

The notes on pages 14 to 56 form an integral part of these financial statements.

# J&T SECURITIES MANAGEMENT PLC

## STATEMENT OF FINANCIAL POSITION 31 December 2019

	Note	2019 €	2018 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in associates	16	768.979	1.934.790
Financial assets at fair value through other comprehensive income	17	85.290.004	50.430.282
Non-current loans receivable	18	5.985	6.558.672
		<u>86.064.968</u>	<u>58.923.744</u>
<b>Current assets</b>			
Trade and other receivables	19	6.854.478	121.557
Loans receivable	18	-	735.242
Financial assets at fair value through profit or loss	20	77.824.779	73.807.180
Cash at bank	21	145	798
		<u>84.679.402</u>	<u>74.664.777</u>
<b>Total assets</b>		<u>170.744.370</u>	<u>133.588.521</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	22	32.000	26.000
Share premium		56.908.000	50.914.000
Other reserves		808.449	534.283
Retained earnings		11.575.512	9.439.381
<b>Total equity</b>		<u>69.323.961</u>	<u>60.913.664</u>
<b>Non-current liabilities</b>			
Borrowings	23	57.727.069	66.030.900
		<u>57.727.069</u>	<u>66.030.900</u>
<b>Current liabilities</b>			
Trade and other payables	24	86.312	291.261
Borrowings	23	43.582.158	6.348.463
Current tax liabilities	25	24.870	4.233
		<u>43.693.340</u>	<u>6.643.957</u>
<b>Total liabilities</b>		<u>101.420.409</u>	<u>72.674.857</u>
<b>Total equity and liabilities</b>		<u>170.744.370</u>	<u>133.588.521</u>

On 28 April 2020 the Board of Directors of J&T Securities Management PLC authorised these financial statements for issue.

  
.....  
Jarmila Jandsova  
Director

  
.....  
Anatasios Angelides  
Director

The notes on pages 14 to 56 form an integral part of these financial statements.

# J&T SECURITIES MANAGEMENT PLC

## STATEMENT OF CHANGES IN EQUITY Year ended 31 December 2019

	Note	Share capital €	Share premium €	Fair value reserve - Financial assets at fair value through other comprehensive income €	Retained earnings €	Total €
<b>Balance at 1 January 2018</b>		<b>11.000</b>	<b>50.914.000</b>	<b>184.580</b>	<b>7.179.704</b>	<b>58.289.284</b>
<b>Comprehensive income</b>						
Net profit for the year		-	-	-	2.259.677	2.259.677
Other comprehensive income for the year		-	-	349.703	-	349.703
Total comprehensive income for the year		-	-	349.703	2.259.677	2.609.380
<b>Transactions with owners</b>						
Issue of share capital	22	15.000	-	-	-	15.000
<b>Balance at 31 December 2018/ 1 January 2019</b>		<b>26.000</b>	<b>50.914.000</b>	<b>534.283</b>	<b>9.439.381</b>	<b>60.913.664</b>
<b>Comprehensive income</b>						
Net profit for the year		-	-	-	2.136.131	2.136.131
Other comprehensive income for the year		-	-	274.166	-	274.166
Total comprehensive income for the year		-	-	274.166	2.136.131	2.410.297
<b>Transactions with owners</b>						
Issue of share capital	22	6.000	5.994.000	-	-	6.000.000
Total transactions with owners		6.000	5.994.000	-	-	6.000.000

The notes on pages 14 to 56 form an integral part of these financial statements.

## J&T SECURITIES MANAGEMENT PLC

### STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

Note	Share capital €	Share premium €	Fair value reserve - Financial assets at fair value through other comprehensive income €	Retained earnings €	Total €
	<u>32.000</u>	<u>56.908.000</u>	<u>808.449</u>	<u>11.575.512</u>	<u>69.323.961</u>

Balance at 31 December 2019

Share premium is not available for distribution.

Companies which do not distribute 70% of their profits after tax, as defined by the relevant tax law, within two years after the end of the relevant tax year, will be deemed to have distributed as dividends 70% of these profits. Special contribution for defence at 17% will be payable on such deemed dividends to the extent that the ultimate shareholders are both Cyprus tax resident and Cyprus domiciled. The amount of deemed distribution is reduced by any actual dividends paid out of the profits of the relevant year at any time. This special contribution for defence is payable by the Company for the account of the shareholders.

The notes on pages 14 to 56 form an integral part of these financial statements.

# J&T SECURITIES MANAGEMENT PLC

## CASH FLOW STATEMENT

Year ended 31 December 2019

	Note	2019 €	2018 €
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		2.218.970	2.366.873
Adjustments for:			
Exchange difference arising on the translation of non-current assets in foreign currencies		(1.329.308)	(448.338)
Unrealised exchange (profit)/loss		(327.894)	144.683
Profit from the sale of financial assets at fair value through other comprehensive income		(72.950)	(123.500)
Loss from the sale of financial assets at fair value through profit or loss		19.023	66.117
Fair value gains on financial assets at fair value through profit or loss		(2.653.174)	(12.304.547)
Impairment charge - investments in associates	16	1.165.811	-
Reversal of impairment - loans receivable		-	(107.075)
(Reversal of impairment)/impairment charge - debt investments at fair value through other comprehensive income	17	(15.293)	321.330
(Reversal of impairment)/impairment charge - loans to related parties	26	(52.966)	28.373
Dividend income	9	(813.822)	(1.166.596)
Interest income	9	(3.928.329)	(3.067.380)
Interest expense	14	4.185.695	3.885.352
		<u>(1.604.237)</u>	<u>(10.404.708)</u>
<b>Changes in working capital:</b>			
(Increase)/decrease in trade and other receivables		(3.012.956)	51.672.890
Decrease in contract assets		-	107.075
Increase in financial assets at fair value through profit or loss		(947.078)	(6.998.638)
Decrease in trade and other payables		<u>(204.951)</u>	<u>(963.621)</u>
<b>Cash (used in)/generated from operations</b>		<b>(5.769.222)</b>	<b>33.412.998</b>
Interest received		3.735.348	3.414.661
Dividends received		813.822	1.166.596
Tax paid		<u>(62.201)</u>	<u>(98.152)</u>
<b>Net cash (used in)/generated from operating activities</b>		<b><u>(1.282.253)</u></b>	<b><u>37.896.103</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payment for purchase of financial assets at fair value through other comprehensive income		(98.823.991)	(57.336.922)
Loans granted		(68.668.809)	(129.962.105)
Loans repayments received		72.669.861	120.945.943
Proceeds from sale of financial assets at fair value through other comprehensive income		<u>65.020.123</u>	<u>17.624.337</u>
<b>Net cash used in investing activities</b>		<b><u>(29.802.816)</u></b>	<b><u>(48.728.747)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issue of share capital		6.000.000	15.000
Payments on repurchase of own debentures		-	(33.750.507)
Repayments of borrowings		(103.096.471)	(72.924.918)
Repayments on maturity of debentures		-	(45.264.744)
Proceeds from issue of debentures		-	58.015.260
Proceeds from borrowings		131.151.883	76.320.438
Repayment of expenses from issue of debentures		-	(1.286.134)
Proceeds from sale of repurchased own debentures		-	32.720.688
Unrealised exchange profit/(loss)		1.075.239	(165.193)

The notes on pages 14 to 56 form an integral part of these financial statements.

## J&T SECURITIES MANAGEMENT PLC

---

### CASH FLOW STATEMENT

Year ended 31 December 2019

	2019	2018
	€	€
Interest paid	<u>(4.046.235)</u>	<u>(3.701.968)</u>
<b>Net cash generated from financing activities</b>	<b><u>31.084.416</u></b>	<b><u>9.977.922</u></b>
<b>Net decrease in cash and cash equivalents</b>	<b>(653)</b>	<b>(854.722)</b>
Cash and cash equivalents at beginning of the year	<u>798</u>	<u>855.520</u>
<b>Cash and cash equivalents at end of the year</b>	<b><u>21</u></b>	<b><u>798</u></b>

---

The notes on pages 14 to 56 form an integral part of these financial statements.

# J&T SECURITIES MANAGEMENT PLC

---

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

### 1. Incorporation and principal activities

#### Country of incorporation

The Company J&T Securities Management PLC (the "Company") was incorporated in Cyprus on 14 January 2010 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113. Its registered office is at Klimentos, 41-43, Klimentos Tower, 2nd floor, Flat/Office 22, 1061, Nicosia, Cyprus.

#### Change of Company name

On 20 June 2018, following the conversion of the Company to a Public Limited Company, the Company changed its name from J&T Securities Management Limited to J&T Securities Management PLC.

#### Principal activities

The principal activities of the Company, which are unchanged from last year, are the holding of investments and trading in listed securities, as well as the provision of financing.

### 2. Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law, Cap.113. The financial statements have been prepared under the historical cost convention as modified by the revaluation of, and financial assets and financial liabilities at fair value through profit or loss.

### 3. Functional and presentation currency

The financial statements are presented in Euro (€) which is the functional currency of the Company.

### 4. Adoption of new or revised standards and interpretations

During the current year the Company adopted all the new and revised International Financial Reporting Standards (IFRS) that are relevant to its operations and are effective for accounting periods beginning on 1 January 2019. This adoption did not have a material effect on the accounting policies of the Company.

### 5. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented in these financial statements unless otherwise stated.

#### Consolidated financial statements

The Group consolidated financial statements comprise the financial statements of the ultimate parent company J&T Private Equity Group Limited, a company incorporated in Cyprus, and the financial statements of the following subsidiaries: J&T BFL Anstalt (100%, Lichtenstein), J&T Private Equity B.V. (100%, The Netherlands), J&T Private Investments II B.V. (100%, The Netherlands) and JTPEG Advisory, a.s. (100%, Slovakia). The Consolidation also includes the results of the two subsidiaries of J&T Private Equity B.V., J&T Financial Investments Limited (100%, Cyprus) and J&T Private Investments B.V. (100%, The Netherlands), and the results of the investments of J&T Investment Pool - I - CZK, a.s. (100%, Czech Republic - Options) and J&T Investment Pool - I - SKK, a.s. (100%, Slovakia - Options) and their investment J&T Capital Management Anstalt (50% each, Liechtenstein - Options).



# J&T SECURITIES MANAGEMENT PLC

---

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

### 5. Significant accounting policies (continued)

#### Consolidated financial statements (continued)

The remaining subsidiaries of J&T Private Equity Group Limited, including the Company itself, meet the criteria to qualify as investees and are recognised at fair value through profit or loss: Solegnos Enterprises Limited (100%, Cyprus) - disposed in 2018, Rigoberto Investments Limited (100%, Cyprus) - disposed in 2018, Kotrab Enterprises Limited (100%, Cyprus), Agunaki Enterprises Limited (100%, Cyprus), J&T Securities Management PLC (former J&T Securities Management Limited) (100%, Cyprus) and Dalinton Limited (100%, Cyprus). During 2017, additional investments were acquired or incorporated; Stocklac Limited (100%, Cyprus), JTPEG Croatia Investments, a.s. (100%, Czech Republic) and Boronio CZ a.s. (100%, Czech Republic).

Finally, the Consolidation also includes the value of the associates, ABS Jets a.s. (50%, Czech Republic) and the newly acquired Nordic Telecom Holding a.s. (15%, Czech Republic) at fair value through profit or loss.

These consolidated financial statements can be obtained at Klimentos, 41-43, Klimentos Tower, 2nd Floor, Flat/Office 22, 1061 Nicosia.

**The consolidated financial statements for the year ended 31 December 2018 and 2019 have not been prepared yet.**

#### Associates

Associates are all entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associated undertakings are stated at cost less provision for permanent diminution in value, which is recognised as an expense in the period in which the diminution is identified.

#### Revenue

##### Recognition and measurement

Revenue represents the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer, excluding amounts collected on behalf of third parties (for example, value-added taxes); the transaction price. The Company includes in the transaction price an amount of variable consideration as a result of rebates/discounts only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Estimations for rebates and discounts are based on the Company's experience with similar contracts and forecasted sales to the customer.

The Company recognises revenue when the parties have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations, the Company can identify each party's rights and the payment terms for the goods or services to be transferred, the contract has commercial substance (i.e. the risk, timing or amount of the Company's future cash flows is expected to change as a result of the contract), it is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer and when specific criteria have been met for each of the Company's contracts with customers.

The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. In evaluating whether collectability of an amount of consideration is probable, the Company considers only the customer's ability and intention to pay that amount of consideration when it is due.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimates are reflected in the statement of profit or loss and other comprehensive income in the period in which the circumstances that give rise to the revision become known by management.

# J&T SECURITIES MANAGEMENT PLC

---

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

### 5. Significant accounting policies (continued)

#### Revenue recognition (continued)

##### Identification of performance obligations

The Company assesses whether contracts that involve the provision of a range of goods and/or services contain one or more performance obligations (that is, distinct promises to provide a service) and allocates the transaction price to each performance obligation identified on the basis of its stand-alone selling price. A good or service that is promised to a customer is distinct if the customer can benefit from the good or service, either on its own or together with other resources that are readily available to the customer (that is the good or service is capable of being distinct) and the Company's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (that is, the good or service is distinct within the context of the contract).

- **Interest income**

Interest income is recognised on a time-proportion basis using the effective interest method.

- **Dividend income**

Dividends are received from financial assets measured at fair value through profit or loss (FVTPL) and at fair value through other comprehensive income (FVOCI). Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of an investment. In this case, the dividend is recognised in OCI if it relates to an investment measured at FVOCI.

- **Financing component**

The Company does not have any material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company elects to use the practical expedient and does not adjust any of the transaction prices for the time value of money.

#### Finance income

Interest income is recognised on a time-proportion basis using the effective method.

#### Finance costs

Interest expense and other borrowing costs are charged to profit or loss as incurred.

#### Foreign currency translation

(1) **Functional and presentation currency**

Items included in the Company's financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Euro (€), which is the Company's functional and presentation currency.

(2) **Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. Translation differences on non-monetary items such as equities held at fair value through profit or loss are reported as part of the fair value gain or loss.

# J&T SECURITIES MANAGEMENT PLC

---

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

### 5. Significant accounting policies (continued)

#### Tax

Current tax liabilities and assets are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and laws that have been enacted, or substantively enacted, by the reporting date.

#### Dividends

Dividend distribution to the Company's shareholders is recognised in the Company's financial statements in the year in which they are approved by the Company's shareholders.

#### Financial assets - Classification

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification and subsequent measurement of debt financial assets depends on: (i) the Company's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. On initial recognition, the Company may irrevocably designate a debt financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

For investments in equity instruments that are not held for trading, classification will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). This election is made on an investment-by-investment basis.

All other financial assets are classified as measured at FVTPL.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

#### Financial assets - Recognition and derecognition

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date when the Company commits to deliver a financial instrument. All other purchases and sales are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

#### Financial assets - Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

# J&T SECURITIES MANAGEMENT PLC

---

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

### 5. Significant accounting policies (continued)

#### Financial assets - Measurement (continued)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in 'other income'. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss and other comprehensive income. Financial assets measured at amortised cost (AC) comprise: cash and cash equivalents, bank deposits with original maturity over 3 months, trade receivables and financial assets at amortised cost.

**FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in "other income". Foreign exchange gains and losses are presented in "other gains/(losses)" and impairment expenses are presented as separate line item in the statement of profit or loss and other comprehensive income.

**FVTPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within "other gains/(losses)" in the period in which it arises.

#### Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment, any related balance within the FVOCI reserve is reclassified to retained earnings. The Company's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in "other gains/(losses)" in the statement of profit or loss and other comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### **Financial assets - impairment - credit loss allowance for ECL**

From 1 January 2018, the Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

# J&T SECURITIES MANAGEMENT PLC

---

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

### 5. Significant accounting policies (continued)

#### Financial assets - impairment - credit loss allowance for ECL (continued)

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of profit or loss and other comprehensive income within "net impairment losses on financial and contract assets".

Debt instruments measured at AC are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantee contracts, a separate provision for ECL is recognised as a liability in the statement of financial position.

For debt instruments at FVOCI, an allowance for ECL is recognised in profit or loss and it affects fair value gains or losses recognised in OCI rather than the carrying amount of those instruments.

Expected losses are recognised and measured according to one of two approaches: general approach or simplified approach.

For trade receivables including trade receivables with a significant financing component and contract assets and lease receivables the Company applies the simplified approach permitted by IFRS 9, which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

For all other financial asset that are subject to impairment under IFRS 9, the Company applies general approach - three stage model for impairment. The Company applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to note 7, Credit risk section, for a description of how the Company determines when a SICR has occurred. If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Company's definition of credit impaired assets and definition of default is explained in note 7, Credit risk section.

Additionally the Company has decided to use the low credit risk assessment exemption for investment grade financial assets. Refer to note 7, Credit risk section for a description of how the Company determines low credit risk financial assets.

#### Financial assets -Reclassification

Financial instruments are reclassified only when the business model for managing those assets changes. The reclassification has a prospective effect and takes place from the start of the first reporting period following the change.

#### Financial assets - write-off

Financial assets are written-off, in whole or in part, when the Company exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Company may write-off financial assets that are still subject to enforcement activity when the Company seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

# J&T SECURITIES MANAGEMENT PLC

---

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

### 5. Significant accounting policies (continued)

#### Financial assets - modification

The Company sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Company assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Company also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Company compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, and recognises a modification gain or loss in profit or loss.

#### Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

For the purpose of ECL measurement due from other banks, balances are included in Stage 1. The ECL for these balances represents an insignificant amount, therefore the Company did not recognise any credit loss allowance for due from other banks.

#### Financial assets at amortised cost

These amounts generally arise from transactions outside the usual operating activities of the Company. These are held with the objective to collect their contractual cash flows and their cash flows represent solely payments of principal and interest. Accordingly, these are measured at amortised cost using the effective interest method, less provision for impairment. Financial assets at amortised cost are classified as current assets if they are due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current assets.

#### Financial liabilities - measurement categories

Financial liabilities are initially recognised at fair value and classified as subsequently measured at amortised cost, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

# J&T SECURITIES MANAGEMENT PLC

---

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

### 5. Significant accounting policies (continued)

#### Borrowings

Borrowings are recorded initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### Derivatives

Derivatives are initially recognised at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and any changes therein are generally recognised in profit or loss. Fair value is calculated using the current values, discounted cash flow analysis or option valuation methods. Derivatives are recorded as assets when their fair value is positive and as liabilities when their fair value is negative.

#### Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

#### Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The Company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

Trade receivables are also subject to the impairment requirements of IFRS 9. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. See note 7, Credit risk section.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 180 days past due.

# J&T SECURITIES MANAGEMENT PLC

---

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

### 5. Significant accounting policies (continued)

#### Share capital

Ordinary shares are classified as equity. The difference between the fair value of the consideration received by the Company and the nominal value of the share capital being issued is taken to the share premium account.

#### Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

#### Non-current liabilities

Non-current liabilities represent amounts that are due more than twelve months from the reporting date.

#### Comparatives

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

### 6. New accounting pronouncements

At the date of approval of these financial statements, standards and interpretations were issued by the International Accounting Standards Board which were not yet effective. Some of them were adopted by the European Union and others not yet. The Board of Directors expects that the adoption of these accounting standards in future periods will not have a material effect on the financial statements of the Company.

#### New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2018 or later, and which the Company has not early adopted.

IFRS 9 "Financial Instruments" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own



## **J&T SECURITIES MANAGEMENT PLC**

---

### **NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2019

#### **5. Significant accounting policies (continued)**

credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

# J&T SECURITIES MANAGEMENT PLC

---

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

### 6. New accounting pronouncements (continued)

IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

### 7. Financial risk management

#### Financial risk factors

The Company is exposed to market price risk, interest rate risk, credit risk, liquidity risk, currency risk and capital risk management arising from the financial instruments it holds. The risk management policies employed by the Company to manage these risks are discussed below:

#### 7.1 Market price risk

Market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. The Company's financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss are susceptible to market price risk arising from uncertainties about future prices of the investments. The Company's market price risk is managed through diversification of the investment portfolio.

#### 7.2 Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company is exposed to interest rate risk in relation to its non-current borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

#### 7.3 Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and contract assets.

##### *(i) Risk management*

Credit risk is managed on a group basis.

For banks and financial institutions, only independently rated parties with a minimum rating of 'C' are accepted. If customers are independently rated, these ratings are used.

Otherwise, if there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits and credit terms are set based on the credit quality of the customer in accordance with limits set by the Board of Directors. The utilisation of credit limits is regularly monitored.

# J&T SECURITIES MANAGEMENT PLC

---

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

### 7. Financial risk management (continued)

#### 7.3 Credit risk (continued)

##### *(ii) Impairment of financial assets*

The Company has the following types of financial assets that are subject to the expected credit loss model:

- trade receivables
- financial assets at amortised cost
- financial assets carried at FVOCI
- cash and cash equivalents

#### **Trade receivables and contract assets**

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables (including those with a significant financing component, lease contracts and contract assets).

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The Company defines default as a situation when the debtor is more than 90 days past due on its contractual payments. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments for a period of greater than 180 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

#### **Debt investments**

All of the entity's debt investments at FVOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management consider 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency. Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

##### *Debt investments at fair value through other comprehensive income*

Debt investments at fair value through other comprehensive income (FVOCI) include listed debt securities. The loss allowance for debt investments at FVOCI is recognised in profit or loss and reduces the fair value loss otherwise recognised in OCI.

##### *Other financial assets at amortised cost*

Other financial assets at amortised cost include [loans to related parties including loans to directors and key management personnel, receivable from related party and other receivables.]

# J&T SECURITIES MANAGEMENT PLC

---

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

### 7. Financial risk management (continued)

#### 7.3 Credit risk (continued)

##### *(ii) Impairment of financial assets (continued)*

*Loans to related parties, receivables from related parties, other receivables and debt investments at amortised cost and FVOCI*

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower/counterparty
- significant increases in credit risk on other financial instruments of the same borrower/counterparty
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower/counterparty, including changes in the payment status of counterparty in the Company and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the GDP and the unemployment rate of the countries in which it sells its goods and services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Company. The Company categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 180 days past due. Where loans or receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Company uses three categories for loans, receivables, other receivables, debt securities at FVOCI which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit rating companies, such as Standard and Poor, Moody's and Fitch.

## J&T SECURITIES MANAGEMENT PLC

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

#### 7. Financial risk management (continued)

##### 7.3 Credit risk (continued)

###### (ii) Impairment of financial assets (continued)

A summary of the assumptions underpinning the Company's expected credit loss model is as follows:

Category	Company definition of category	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
Performing	Counterparties have a low risk of default and a strong capacity to meet contractual cash flows	Stage 1: 12 month expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime.	Gross carrying amount
Underperforming	Counterparties for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due (see above in more detail)	Stage 2: Lifetime expected losses	Gross carrying amount
Non-performing	Interest and/or principal repayments are 90 days past due	Stage 3: Lifetime expected losses	Amortised cost carrying amount (net of credit allowance)
Write-off	Interest and/or principal repayments are 180 days past due and there is no reasonable expectation of recovery.	Asset is written off	None

Interest bearing loans are provided to related parties including key management personnel and directors. The Company does not require the related parties to pledge collateral as security against the loans.

The Company has no financial assets which are subject to the impairment requirements of IFRS 9 and which have had modifications to their contractual cash flows.

Over the term of the loans, receivables and other receivables, and debt securities the Company accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Company considers historical loss rates for each category of customers, and adjusts for forward looking macroeconomic data.

# J&T SECURITIES MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

### 7. Financial risk management (continued)

#### 7.3 Credit risk (continued)

##### (ii) Impairment of financial assets (continued)

The Company provides for credit losses against loans to related parties, receivables, other receivables, debt securities at FVOCI and cash and cash equivalents. The following tables contains an analysis of the credit risk exposure of each class of financial instruments for which an ECL allowance is recognised. The gross carrying amounts below also represents the Company's maximum exposure to credit risk on these assets as at 31 December 2019.

#### Loans to related parties

##### Company internal credit rating

	Gross carrying amount €	(Loss allowance) €	Carrying amount (net of impairment provision) €
Performing	6.009	24	5.985
<b>Total loans to related parties</b>	<b>6.009</b>	<b>24</b>	<b>5.985</b>

##### Other receivables

##### Company internal credit rating

	Gross carrying amount €	(Loss allowance) €	Carrying amount (net of impairment provision) €
Performing	807.861	-	807.861
<b>Total other receivables</b>	<b>807.861</b>	<b>-</b>	<b>807.861</b>

#### Cash and cash equivalents

##### Company internal credit rating

	External credit rating	Gross carrying amount €	(Loss allowance) €	Carrying amount (net of impairment provision) €
Performing	AAA - A	145	-	145
<b>Total cash and cash equivalents</b>		<b>145</b>	<b>-</b>	<b>145</b>

#### Debt investments at FVOCI

##### Company internal credit rating

	External credit rating	Gross carrying amount €	(Loss allowance) €	Carrying amount (net of impairment provision) €
Performing	AAA - A	84.376.975	-	84.376.975
<b>Total debt investments at FVOCI</b>		<b>84.376.975</b>	<b>-</b>	<b>84.376.975</b>

No significant changes to estimation techniques or assumptions were made during the reporting period.

## J&T SECURITIES MANAGEMENT PLC

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

#### 7. Financial risk management (continued)

##### 7.3 Credit risk (continued)

(ii) Impairment of financial assets (continued)

##### Loans to related parties

The following table discloses the changes in the credit loss allowance and gross carrying amount for loans to related parties between the beginning and the end of the reporting period:

	Credit loss allowance				Gross carrying amount			
	Stage 1 Performing €	Stage 2 Under-perf orming €	Stage 3 Non-perfor ming €	Total €	Stage 1 Performing €	Stage 2 Under-perf orming €	Stage 3 Non-perfor ming €	Total €
31 December 2018	(16.410)	-	-	(16.410)	4.097.259	-	-	4.097.259
Opening loss allowance as at 1 January 2019	(16.410)	-	-	(16.410)	4.097.259	-	-	4.097.259
Closing balances as at 31 December 2019 (calculated under IFRS 9)	(24)	-	-	(24)	6.009	-	-	6.009

##### Cash and cash equivalents

The following table discloses the changes in the credit loss allowance and gross carrying amount for cash and cash equivalents between the beginning and the end of the reporting period:

	Credit loss allowance				Gross carrying amount			
	Stage 1 Performing €	Stage 2 Under-perf orming €	Stage 3 Non-perfor ming €	Total €	Stage 1 Performing €	Stage 2 Under-perf orming €	Stage 3 Non-perfor ming €	Total €
31 December 2018	-	-	-	-	798	-	-	798
Closing balances as at 31 December 2019 (calculated under IFRS 9)	-	-	-	-	145	-	-	145

# J&T SECURITIES MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

### 7. Financial risk management (continued)

#### 7.3 Credit risk (continued)

(iii) Net impairment losses on financial and contract assets recognised in profit or loss

During the year, the following gains/(losses) were recognised in profit or loss in relation to impaired financial assets:

Impairment losses	2019 €	2018 €
Impairment charge - investments in associates	(1.165.811)	-
Impairment charge - debt investments at fair value through other comprehensive income	(511.303)	(321.330)
Impairment charge - loans to related parties	(3.340)	(28.373)
Reversal of impairment - debt investments at fair value through other comprehensive income	267.415	-
Reversal of impairment - loans to related parties	<u>56.306</u>	<u>107.075</u>
<b>Net impairment (loss) on financial and contract assets</b>	<b><u>(1.356.733)</u></b>	<b><u>(242.628)</u></b>

#### 7.4 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The following tables detail the Company's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

31 December 2019	Carrying amounts €	Contractual cash flows €	3 months or less €	3-12 months €	1-2 years €	2-5 years €	More than 5 years €
Bank loans	2.471.942	2.471.942	2.471.942	-	-	-	-
Debentures	58.585.319	58.585.319	858.251	-	-	57.727.068	-
Trade and other payables	38.570	38.570	38.570	-	-	-	-
Loans from associates	<u>40.251.966</u>	<u>40.251.966</u>	-	<u>40.251.966</u>	-	-	-
	<b><u>101.347.79</u></b>	<b><u>101.347.79</u></b>	<b><u>3.368.763</u></b>	<b><u>40.251.966</u></b>	<b><u>-</u></b>	<b><u>57.727.068</u></b>	<b><u>-</u></b>
	<b><u>Z</u></b>	<b><u>Z</u></b>	<b><u>3.368.763</u></b>	<b><u>40.251.966</u></b>	<b><u>-</u></b>	<b><u>57.727.068</u></b>	<b><u>-</u></b>
31 December 2018	Carrying amounts €	Contractual cash flows €	3 months or less €	3-12 months €	1-2 years €	2-5 years €	More than 5 years €
Bank loans	4.333.019	4.333.019	4.333.019	-	-	-	-
Debentures	57.650.047	57.650.047	-	632.870	-	57.017.177	-
Trade and other payables	268.573	268.573	268.573	-	-	-	-
Loans from related companies	<u>10.396.297</u>	<u>10.396.297</u>	-	<u>1.382.574</u>	<u>9.013.723</u>	-	-
	<b><u>72.647.936</u></b>	<b><u>72.647.936</u></b>	<b><u>4.601.592</u></b>	<b><u>2.015.444</u></b>	<b><u>9.013.723</u></b>	<b><u>57.017.177</u></b>	<b><u>-</u></b>



# J&T SECURITIES MANAGEMENT PLC

---

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

### 7. Financial risk management (continued)

#### 7.5 Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the United States Dollar and the Czech koruna. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

#### 7.6 Capital risk management

Capital includes equity shares and share premium, convertible preference shares and loan from parent company.

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from last year.

#### Fair value estimation

The fair values of the Company's financial assets and liabilities approximate their carrying amounts at the reporting date.

### 8. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates and requires Management to exercise its judgment in the process of applying the Company's accounting policies. It also requires the use of assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

- **Income taxes**

Significant judgment is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

*Critical judgements in applying the Company's accounting policies*

- **Fair value of financial assets**

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each reporting date. The fair value of the financial assets at fair value through other comprehensive income has been estimated based on the fair value of these individual assets.

# J&T SECURITIES MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

### 8. Critical accounting estimates and judgments (continued)

- **Impairment of investments in associates**

The Company periodically evaluates the recoverability of investments in associates whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country, which may indicate that the carrying amount of an asset is not recoverable. If facts and circumstances indicate that investment in associates may be impaired, the estimated future discounted cash flows associated with these associates would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

- **Impairment of loans receivable**

The Company periodically evaluates the recoverability of loans receivable whenever indicators of impairment are present. Indicators of impairment include such items as declines in revenues, earnings or cash flows or material adverse changes in the economic or political stability of a particular country in which the borrower operates, which may indicate that the carrying amount of the loan is not recoverable. If facts and circumstances indicate that loans receivable may be impaired, the estimated future discounted cash flows associated with these loans would be compared to their carrying amounts to determine if a write-down to fair value is necessary.

- **Impairment of available-for-sale financial assets**

The Company follows the guidance of IAS 39 in determining when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost and the financial health and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

- **Impairment of financial assets**

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in note 7, Credit risk section.

### 9. Revenue

	2019	2018
	€	€
Dividend from overseas	813.822	1.166.596
Interest income	3.127.805	922.893
Loan interest income	800.524	2.144.487
Net fair value gains on financial assets at fair value through profit or loss	<u>3.479.014</u>	<u>12.842.112</u>
	<u><u>8.221.165</u></u>	<u><u>17.076.088</u></u>

### 10. Other operating income

	2019	2018
	€	€
Profit from sale of receivables	5.432	8.423
Profit from purchase of bills of exchange	<u>28.137</u>	-
	<u><u>33.569</u></u>	<u><u>8.423</u></u>

# J&T SECURITIES MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

### 11. Net profit from investing activities

	2019	2018
	€	€
Profit from sale of financial assets at fair value through other comprehensive income	177.060	123.500
Exchange profit	6.940.101	5.823.901
Loss from sale of financial assets at fair value through other comprehensive income	(104.110)	-
Loss from sales of financial assets at fair value through profit or loss	(19.023)	(66.117)
Fair value losses on financial assets at fair value through profit or loss	(825.840)	(537.565)
	<u>6.168.188</u>	<u>5.343.719</u>

### 12. Other expenses

	2019	2018
	€	€
Loss from cancellation of option	-	10.290.000
Broker commission and charges	73.388	97.410
	<u>73.388</u>	<u>10.387.410</u>

### 13. Operating profit

	2019	2018
	€	€
Operating profit is stated after (crediting)/charging the following items:		
Profit from the sale of financial assets at fair value through other comprehensive income (Note 17)	(72.950)	(123.500)
Directors' fees	476	476
Auditors' remuneration for the statutory audit of annual accounts	22.500	20.000
Auditors' remuneration for other assurance services	-	13.090
Auditors' remuneration - prior years	3.800	3.420
	<u>3.800</u>	<u>3.420</u>

### 14. Finance costs

	2019	2018
	€	€
<b>Finance costs</b>		
<b>Interest expense</b>		
Loan interest	856.410	592.221
Bank overdraft interest	5.857	43
Loan interest on REPO agreements	185.102	266.052
Debenture interest	3.138.325	3.027.036
<b>Sundry finance expenses</b>		
Bank charges	15.012	152
<b>Net foreign exchange losses</b>		
Realised foreign exchange loss	2.987.546	572.155
Unrealised foreign exchange loss	3.400.978	4.757.057
	<u>10.589.230</u>	<u>9.214.716</u>

## J&T SECURITIES MANAGEMENT PLC

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

#### 15. Tax

	2019	2018
	€	€
Corporation tax	45.637	39.044
Overseas tax	<u>37.202</u>	<u>68.152</u>
<b>Charge for the year</b>	<b><u>82.839</u></b>	<b><u>107.19</u></b>

The tax on the Company's profit before tax differs from theoretical amount that would arise using the applicable tax rates as follows:

	2019	2018
	€	€
Profit before tax	<u>2.218.970</u>	<u>2.366.873</u>
Tax calculated at the applicable tax rates	277.371	295.859
Tax effect of expenses not deductible for tax purposes	1.233.105	2.237.698
Tax effect of allowances and income not subject to tax	(1.466.715)	(2.494.513)
10% additional charge	1.876	-
Overseas tax in excess of credit claim used during the year	<u>37.202</u>	<u>68.152</u>
<b>Tax charge</b>	<b><u>82.839</u></b>	<b><u>107.196</u></b>

The corporation tax rate is 12,5%.

Under certain conditions interest income may be subject to defence contribution at the rate of 30%. In such cases this interest will be exempt from corporation tax. In certain cases, dividends received from abroad may be subject to defence contribution at the rate of 17%.

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc) are exempt from Cyprus income tax.

#### 16. Investments in associates

	2019	2018
	€	€
Balance at 1 January	1.934.790	-
Additions	-	1.934.790
Impairment charge	<u>(1.165.811)</u>	<u>-</u>
<b>Balance at 31 December</b>	<b><u>768.979</u></b>	<b><u>1.934.790</u></b>

The details of the investments are as follows:

Name	Country of incorporation	Principal activities	2019	2018	2019	2018
			Holding %	Holding %	€	€
Red Stone Now s.r.o.	Czech Republic	Provision and collection of funds	49,9	49,9	<u>768.979</u>	<u>1.934.790</u>
					<b><u>768.979</u></b>	<b><u>1.934.790</u></b>

On 31 October 2018, the Company ("New Shareholder") signed a "Declaration on the Transfer of Deposit Obligations" with Red Stone Now, s.r.o.

Per the agreement, the sole shareholder of Red Stone Now, s.r.o., decided to increase the share capital by CZK 200.000, of which CZK 199.600 were undertaken by the Company and CZK 400 by the existing shareholder. Based on this, the Company holds the 49,9% of the share capital in Red Stone Now, s.r.o.

## J&T SECURITIES MANAGEMENT PLC

---

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

#### 16. Investments in associates (continued)

According to the "Shareholder Contract" signed on 31 October 2018 the Company is the owner of the Investor Share which represents the 49,9% of the share capital for the amount of CZK 199.600 and the shareholder of the remaining share capital is the owner of the Founding Share which represents 50,1% of the share capital for the amount of CZK 200.400.

Based on the Agreement, the "Founding Share" bears the following characteristics:

- (a) The obligation of joint selling, which means that in a case of disposal of shares the Founding shares will have to be disposed under the same conditions as the Investor's share will be sold.
- (b) The obligation not to transfer his interest to another partner or to a third party without the prior consent of the holder of the Investor Share.
- (c) The obligation not to impose on his share without prior consent of the holder of the Investor Share any of the third party rights in particular no liens or pre-emption rights.

On the other hand, "Investor Share" bears the following characteristics:

- (a) A preferential right to a share in the profits.
- (b) A preferential right to a share in any personal funds determined by the General meeting to be paid to the shareholders.
- (c) Preferential right to share in the entire liquidation balance.
- (d) The right to be informed immediately by the holder of the Founding Share in case an offer is received from third party for the purchase of Founding share and the right of the holder of the Investor Share to sell it under the same terms as the Founding Share.
- (e) The obligation not to transfer his interest to another partner or to a third party without the prior consent of the holder of the Founding Share.

Per Amendment No.1 signed on 22 January 2020, the Preferred Right to a Profit Share and Preferred Right to Share in Other Company Resources and Priority Right to the Liquidation Balance and Right to Joint Selling shall be terminated at the moment the Company, on the basis of Preferred Rights to Profit Share and Preferential Right to Share of Other Company Resources, will pay the Investor an amount equal to the actually provided Investment plus interest at the amount of 12,4 % p.a. of the actually provided Investment, i.e. after subtracting the amount already paid.

Per the "Agreement on Provision of Surcharge" concluded on 31 October 2018, the Company and Red Stone Now s.r.o., agreed that the Company shall provide to Red Stone Now s.r.o. the additional amounts of CZK 9.954.373 as a "First Surcharge" and the amount of CZK 40.000.000 as a "Second Surcharge".

Per the "Settlement Contract" dated 31 October 2018, the Company ("Creditor"), and Red Stone Now, s.r.o., according to which:

- (1) the Company has a receivable amounting to CZK 50.153.973 (Principal: CZK 50.000.000 plus Accrued Interest: CZK 153.973) for the repayment of the loan and the loan receivable concluded on 24 September 2018;
- (2) the Company owes to Red Stone Now, s.r.o. the amount of CZK 199.400 for acquisition of the shares in Red Stone Now, s.r.o.; and
- (3) the Company owes to Red Stone Now, s.r.o. the amount of CZK 49.954.373 (representing the first and second surcharges) under the "Agreement on Provision of Surcharge" concluded on 31 October 2018, the Parties agreed to set off their mutual claims.

However, on 20 November 2018, the Company ("Pledgor") concluded an Agreement on Pledge of Shareholding Interest with a third party ("Pledgee") according to which the Company has established a Pledge for the shares held in Red Stone Now s.r.o. in favour of the Pledgee to secure the receivable of the Pledgee under the Loan Agreement dated 11 November 2018 (initial amount CZK 50.000.000).

As at 31 December 2019, the value of the investment was below the cost recorded in the accounts of the Company. An impairment in the amount of €1.165.811,09 was made.

## J&T SECURITIES MANAGEMENT PLC

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

#### 17. Financial assets at fair value through other comprehensive income

	2019	2018
	€	€
Balance at 1 January	50.430.282	-
Additions	98.823.991	57.336.922
Disposals	(67.947.614)	(17.985.765)
Impairment charge	(243.888)	(321.330)
Exchange differences	892.938	578.599
Revaluation difference transferred to equity	15.102	(24.978)
Reclassification from Available-for-sale financial assets	-	10.420.707
Interest income	3.075.304	426.127
<b>Balance at 31 December</b>	<b>85.290.004</b>	<b>50.430.282</b>

	2019	Cost 2018	2019	Fair values 2018
	€	€	€	€
Securities listed on a Stock Exchange	<u>84.051.085</u>	50.088.947	<u>85.290.004</u>	50.430.282
	<u>84.051.085</u>	<u>50.088.947</u>	<u>85.290.004</u>	<u>50.430.282</u>

(A) On 31 December 2018, the Company holds 124 pieces of fixed rate perpetual notes of J&T Banka 10% PERP, 16 pieces of fixed rate perpetual notes of J&T Banka 9% PERP EUR and 51 pieces of fixed rate perpetual notes of J&T Banka 9% PERP CZK.

Additionally, on 31 December 2018, the Company holds 22 coupon bonds in Gladonia Limited (Gladonia 3,00/20), 55 coupon bonds in J&T Energy Financing (JTEF CZKII 5,25/25), 100.000 coupon bonds in EPH (EPH 3,50/20 CZK), 9.000 coupon bonds in EPH (EPH 3,50/20 EUR) and 174 coupon bonds in Nordic T.H.6,00/24.

(B) On 31 December 2019, the Company holds 124 pieces of fixed rate perpetual notes of J&T Banka 10% PERP, 16 pieces of fixed rate perpetual notes of J&T Banka 9% PERP EUR and 51 pieces of fixed rate perpetual notes of J&T Banka 9% PERP CZK.

Additionally, on 31 December 2019, the Company holds 19 coupon bonds in Gladonia Limited (Gladonia 3,00/20), 216 coupon bonds in Nordic Telecom Holding a.s. (Nordic T.H. 6,00/24), 401 coupon bonds in Nordic Investors Group a.s. (Nordic IG 0,00/27), 189 coupon bonds in J&T Energy Financing EUR VII, a.s. (JTEF VII 2025), 33 coupon bonds in J&T Finance Group SE (JTFG X 4,75/24) and 1.000 coupon bonds of TD Beta s.r.o. (TD Beta 5,00/26).

#### (i) Disposal of equity investments

On disposal of these equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

#### (ii) Disposal of debt investments

On disposal of these debt investments, any related balance within the FVOCI reserve is reclassified to profit or loss.

## J&T SECURITIES MANAGEMENT PLC

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

#### 17. Financial assets at fair value through other comprehensive income (continued)

(iii) Amounts recognised in profit or loss and other comprehensive income

The following are included in profit or loss with respect to financial assets at fair value through other comprehensive income:

	2019	2018
	€	€
Profit from sale of financial assets at fair value through other comprehensive income	177.060	123.500
Loss from sale of financial assets at fair value through other comprehensive income	(104.110)	-
Reversal of impairment - debt investments at fair value through other comprehensive income	267.415	-
Impairment charge - debt investments at fair value through other comprehensive income	(511.303)	(321.330)
<b>Net (loss) on financial assets at fair value through other comprehensive income</b>	<b>(170.938)</b>	<b>(197.830)</b>

#### 18. Non-current loans receivable

	2019	2018
	€	€
Balance at 1 January	7.293.914	36.235.073
New loans granted	68.668.809	129.962.105
Repayments	(73.352.269)	(123.378.910)
Interest charged	800.524	2.144.487
Reversal of impairment / Impairment charge	56.119	(57.108)
Set-off of loans	-	(39.341.058)
Assignment of loans	(3.448.759)	1.951.076
Exchange differences	(12.353)	(221.751)
<b>Balance at 31 December</b>	<b>5.985</b>	<b>7.293.914</b>

	2019	2018
	€	€
Loans receivable	-	3.213.065
Loans to associates (Note 26.4)	5.985	4.080.849
	5.985	7.293.914
Less current portion	-	(735.242)
Non-current portion	5.985	6.558.672

The loans are repayable as follows:

	2019	2018
	€	€
Within one year	-	735.242
Between one and five years	5.985	6.558.672
	5.985	7.293.914

The exposure of the Company to credit risk in relation to loans receivable is reported in note 7 of the financial statements.

The effective interest rates on receivables (current and non-current) were as follows:

2019	2018
------	------

## **J&T SECURITIES MANAGEMENT PLC**

---

### **NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2019

#### **17. Financial assets at fair value through other comprehensive income (continued)**



# J&T SECURITIES MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

### 18. Non-current loans receivable (continued)

Loans receivable	1year Pribor + 5,54%, 5,8%-8%	1year Pribor + 5,54%, 5,8%-6%
Loans to associates		2weekly Repo + 1% /2,50% - 6,10 %
	2,50%, 6,10%	

I. Loans to related companies relate to the following:

(1) On 22 October 2014, the Company ("Creditor") concluded Credit Contract 21/JSML/2014 with J&T Private Equity B.V. ("Debtor") for a loan with a credit limit of CZK 600.000.000, bearing interest at 7,35% per annum, which is repayable until 22 October 2018.

According to Amendment No.1 concluded on 16 October 2018, the credit limit of the loan was increased to CZK 800.000.000, the interest rate was decreased to 6,10% per annum and the repayment date of the loan was extended until 16 October 2023.

On 31 December 2018, the outstanding balance of the Principal of 21/JSML/2014 is CZK 105.219.072,27.

On 31 December 2019, the outstanding balance of the Principal of 21/JSML/2014 is CZK 152.632,89.

The loan was terminated on 1 April 2020 per the Termination Agreement signed.

(2) On 05 November 2014, the Company ("Creditor") concluded Credit Contract 22/JSML/2014 with J&T Private Equity B.V. ("Debtor") for a loan with a credit limit of CZK 601.350.000, bearing interest at 2,50% per annum, which is repayable until 22 October 2018.

According to Amendment No.1 concluded on 22 October 2018, the repayment date of the loan was extended until 16 October 2023.

On 31 December 2018, the outstanding balance of the Principal of 22/JSML/2014 is CZK 109.012,50.

The loan was fully settled on 25 February 2019.

The loan was terminated on 1 April 2020 per the Termination Agreement signed.

II. Loans receivable from associate

On 26 October 2018, the Company ("Assignee") entered into an "Assignment Agreement", for the assignment of five loans receivable from Red Stone Now, s.r.o.: with a total principal amount of CZK 50.000.000, all bearing interest at 5% per annum. The consideration for the assignment of the loan was CZK 50.454.520,55 and was repaid on 29 October 2018.

Per the "Settlement Contract" dated 31 October 2018, the Company ("Creditor"), and Red Stone Now, s.r.o., according to which:

- (1) the Company has a receivable amounting to CZK 50.153.973 (Principal: CZK 50.000.000 plus Accrued Interest: CZK 153.973) for the repayment of the loan and the loan receivable concluded on 24 September 2018;
- (2) the Company owes to Red Stone Now, s.r.o. the amount of CZK 199.400 for acquisition of the shares in Red Stone Now, s.r.o.; and
- (3) the Company owes to Red Stone Now, s.r.o. the amount of CZK 49.954.373 (representing the first and second surcharges) under the "Agreement on Provision of Surcharge" concluded on 31 October 2018, the Parties agreed to set off their mutual claims.

III. Other loans relating to Agreements concluded during 2015 to 2019 relate to the following:

# J&T SECURITIES MANAGEMENT PLC

---

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

### 18. Non-current loans receivable (continued)

(1) On 16 June 2016, the Company ("Creditor") entered into a Loan Contract with a third party ("Debtor") for the granting of a loan in the amount of €1.626.700, which bears interest at 6% per annum and is repayable on 15 December 2016.

Per Amendment No.1 signed on 14 December 2016, the repayment date was extended until 15 September 2017.

Per Amendment No.2 signed on 14 September 2017, the repayment date was further extended until 15 March 2018.

Per Amendment No.3 signed on 14 March 2018, the repayment date was further extended until 15 March 2019.

Per Amendment No.4 signed on 14 March 2019, the repayment date was further extended until 15 March 2020. In addition, the parties agreed that as from 14 March 2019, the accrued interest (i.e. €267.670,14) shall be capitalised and become part of the loan.

On 31 December 2018, the outstanding balance of the Principal was €1.626.700.

On 13 September 2019, the Company ("Assignor") entered into an Agreement on Assignment Agreement with a third party ("Assignee") for the assignment of the receivable from the third party resulting from the Credit Contract signed on 16 June 2016, in the total amount of €1.951.356,95, which consists of principal in the amount of €1.894.370,14 and accrued interest in the amount of €56.986,81.

The receivable is assigned for a consideration of €1.951.356,95, which is payable within three days from the day of signing this Agreement.

The consideration was settled on the same day.

(2) On 02 May 2017, the Company ("Assignee") entered into an Agreement on Assignment of Receivable with a financial institution ("Assignor") for the assignment of the loan initially payable to the Assignor resulting from Overdraft Loan Agreement entered between the Assignor as the Creditor and a third party as the Borrower on 05 May 2006.

As at the date of the assignment, the loan has a total amount of CZK 17.282.325,81, which consists of principal in the amount of CZK 16.883.062,01, the accrued interest amount to CZK 352.044,33 and the default interest amounts to CZK 47.219,47.

The fee for the assignment of the receivable amounts to CZK 17.282.325,81 and it is payable within three days from the signing of this Agreement.

Per Amendment No.19 to the Credit Contract CZK 60/KTK/2006 signed on 29 April 2016, the Parties agree that as of the effectiveness of this Agreement the interest rate of the receivable is 1Y PRIBOR + 5,54 % per annum.

The interest rate is always set for a year period, since the rate announced by the Czech National Bank on the last day of the previous calendar year is always applied for the PRIBOR rate.

In case the value of the 1Y PRIBOR rate declines below 0,00% per annum, the parties agree that this rate will be replaced by a fixed rate of 0,00% per annum for the duration of this period.

In addition, the repayment date of the loan is extended until 28 April 2017.

Per Amendment No.20 to the Credit Contract CZK 60/KTK/2006 signed on 2 May 2017 between the Company ("Creditor") and a third party ("Debtor"), the repayment date has been extended to 31 December 2017.

In addition, the Parties agreed that the interest assigned and the default interest in the amount of CZK 352.044,33 and CZK 47.219,47 respectively shall be capitalised and become part of the principal.

Per Amendment No.21 signed on 29 December 2017, the parties agreed for the prolongation of the repayment date of the loan to 30 June 2018.

Per Amendment No.22 signed on 29 June 2018, the parties agreed for the prolongation of the repayment date of the loan to 31 December 2018.

Per Amendment No.23 signed on 18 December 2018, the parties agreed for the prolongation of the repayment date of the loan to 31 December 2019.

## J&T SECURITIES MANAGEMENT PLC

---

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

#### 18. Non-current loans receivable (continued)

On 31 December 2018, the outstanding balance of Principal was CZK 17.282.325,81.

On 12 September 2019, the Company ("Assignor") entered into an Agreement on Assignment of Claim with a third party ("Assignee") for the assignment of the receivable from another third party resulting from the Assignment Agreement signed on 2 May 2017, in the total amount of CZK 19.928.936,45, which consists of principal in the amount of CZK 17.282.325,81 and accrued interest in the amount of CZK 2.646.610,64.

Along with the receivable, its security is also assigned (Blanc promissory note and pledge over real estate). The receivable is assigned for a consideration of CZK 19.928.936,45, which is payable within three days from the day of signing this Agreement.

The consideration was settled on the same day.

(3) On 3 November 2017, the Company ("Assignee") entered into an Agreement on Assignment of Receivables with a third party ("Assignor") for the assignment of the following receivables from a third party ("Debtor"):

(i) Receivable resulting from a Loan Contract signed on 8 August 2006, which bears interest of 10% per annum and consists of principal in the amount of CZK 10.068.704,47 and accrued interest of CZK 8.833.477,78. The principal assigned was in the amount of CZK 9.928.440,70.

Per Amendment No.2 signed between the original parties on 16 August 2007, the repayment date is until 31 December 2020 and per Amendment No.4 signed on 17 June 2011, the principal amount of the loan is up to the amount of CZK 13.000.000.

Per the Novation Agreement to the obligation originating from the Loan Contract of 8 August 2006, concluded on 30 April 2018, the interest rate was reduced to 5,8% per annum.

(ii) Receivable resulting from a Loan Contract signed on 25 April 2013, which bears interest of 3,5% per annum, which consists of accrued interest in the amount of CZK 138.081,52.

The receivables are assigned for a consideration equal to the nominal value of the receivables, CZK 18.900.000, which is payable within three months from the day of the signing of this Agreement, i.e. until 3 February 2018.

According to the original Loan Contract, the repayment date of the outstanding accrued interest is 31 December 2024.

On 31 December 2018, the outstanding balance of the Principal is CZK 6.999.584,28.

On 12 September 2019, the Company ("Assignor") entered into an Agreement on Assignment of Claim with a third party ("Assignee") for the assignment of the receivable from another third party resulting from the Assignment Agreement signed on 3 November 2017, in the total amount of CZK 18.879.897,09, which consists of principal in the amount of CZK 9.049.584,28 and accrued interest in the amount of CZK 9.830.312,81.

Along with the receivable, its security is also assigned (lien on shares issued by a Maltese company).

The receivable is assigned for a consideration of CZK 18.879.897,09, which is payable within three days from the day of signing this Agreement.

The consideration was settled on the same day.

## J&T SECURITIES MANAGEMENT PLC

---

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

#### 18. Non-current loans receivable (continued)

The loans assigned (relating to notes III. 2 and 3 above) are secured with 93.750 shares that the Debtor holds in a Maltese Company, which are pledged.

The Share Pledge Agreement was concluded on 31 December 2013 between the Debtor ("Pledgor") and a third party ("Pledgee").

Per the Notice and Request to provide Security signed between the Company ("Assignee", "New Creditor") and the Debtor, together with the assignment of the loans to the Company, the security and rights under the Share Pledge Agreement signed on 31 December 2013, were also assigned.

According to the Notice, the Company applies its rights to all dividends, interest and other monies paid or payable in respect of the Pledged Shares and also applies its right to be provided by additional adequate security in relation to any assets to which the Debtor has ownership with a nominal and / or market value above CZK 22.000.000, up to the total amount of CZK 25.000.000.

Further to the Assignment Agreements concluded on 12 September 2019, all securities were assigned to the Assignee.

(4) On 28 June 2019, the Company ("Lender") entered into a Loan Agreement with a third party ("Borrower") according to which, the Borrower is the mother company of third party 2 and the loan to be provided is a bridge loan for financing of the operation and business activities of third party 2.

The loan is in the amount of CZK 213.000.000, bears interest at the rate of 7% per annum and it is repayable until 31 July 2019.

No future drawdowns of the loan are possible and the Company may at any time until the full repayment of the loan request the Borrower to provide it with a security in a form and to the extent satisfactory to the Lender.

The loan was fully settled on 29 July 2019.

(5) On 6 September 2019, the Company ("Lender") entered into a Loan Agreement with a third party ("Borrower") according to which, the Borrower is the mother company of third party 2 and the loan to be provided is a bridge loan for financing of the operation and business activities of third party 2.

The loan is in the amount of CZK 31.000.000, bears interest at the rate of 8% per annum and it is repayable 2 months from the signing date.

No future drawdowns of the loan are possible and the Company may at any time until the full repayment of the loan request the Borrower to provide it with a security in a form and to the extent satisfactory to the Lender.

Per Amendment No.1 signed on 5 November 2019, the repayment date has been extended until 31 December 2019.

The loan was fully settled on 20 December 2019.

(6) On 31 October 2019, the Company ("Lender") entered into a Loan Agreement with a third party ("Borrower") for the provision of a loan in the amount of CZK 20.000.000, which bears interest at the rate of 7% per annum and is repayable until 31 December 2019.

The loan is provided for the financing of the operations and the business activities of the Borrower.

No future drawdowns of the loan are possible and the Company may at any time until the full repayment of the loan request the Borrower to provide it with a security in a form and to the extent satisfactory to the Lender.

The loan was fully settled on 20 December 2019.

(7) On 28 November 2019, the Company ("Lender") entered into a Loan Agreement with a third party ("Borrower") for the provision of a loan in the amount of CZK 125.000.000, which bears interest at the rate of 7% per annum and is repayable until 31 May 2020.

The loan is provided for the financing of the operations and the business activities of the Borrower.

No future drawdowns of the loan are possible and the Company may at any time until the full repayment of the loan request the Borrower to provide it with a security in a form and to the extent satisfactory to the Lender.

The loan was fully settled on 20 December 2019.

# J&T SECURITIES MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

### 19. Trade and other receivables

	2019	2018
	€	€
Trade receivables	807.861	40.331
Shareholders' current accounts - debit balances (Note 26.6)	6.000.000	-
Deposits and prepayments	46.617	47.847
Derivative financial instruments	-	593
Bills of exchange receivable	-	32.786
	<u>6.854.478</u>	<u>121.55</u>

For a summary of key terms and conditions relating to the balances with related parties, refer to note 26 of the financial statements.

(A) On 31 December 2018 and 31 December 2019, Trade receivables mainly relate to the balances of broker accounts held with a regulated financial institution.

(B) Bills of exchange receivable relate to the following transactions during the years ended 31 December 2018 and 2019:

(i) On 26 April 2017, the Company ("Creditor") concluded six Bill of Exchange Contracts with a third party ("Issuer"), for the issue of promissory notes which have a value of €525.576,39 each on 31 December 2017. The principal amount of each promissory note is €500.000, bears interest at the rate of 7,25% per annum calculated on a 365 or 366 days basis and is payable until 31 December 2017.

According to Amendments No.1 concluded on the six Bills of Exchange Contracts on 30 May 2017, the interest shall be calculated on a 360 days basis as from 26 April 2017. Therefore, as at 31 December 2017, each of the bills of exchange will have a balance of €525.072,92.

On 29 December 2017, the Company ("Creditor") entered into Bills of Exchange Contracts, which replace the existing Bills of Exchange Contracts signed on 26 April 2017. The new Contracts extend the maturity of the existing Bills of Exchange until 29 June 2018 and set their interest rate at 7,25% per annum.

All the above were replaced by a new Bill of Exchange Contract on 29 June 2018.

(ii) On 26 April 2017, the Company ("Creditor") concluded an additional Bill of Exchange Contract with a third party ("Issuer"), for the issue of a promissory note which has a value of €517.291,67 on 31 December 2017. The principal amount of the promissory note is €500.000, bears interest at the rate of 5,00% per annum calculated on a 365 or 366 days basis and is payable until 31 December 2017.

According to Amendment No.1 signed on 30 May 2017, the interest shall be calculated on a 360 days basis as from 26 April 2017.

On 29 December 2017, the Company ("Creditor") entered into a Bill of Exchange Contract, which replaces the existing Bill of Exchange Contract signed on 26 April 2017. The new Contract extends the maturity of the existing Bill of Exchange until 29 June 2018 and sets the interest rate at 7,25% per annum.

The above was replaced by a new Bill of Exchange Contract on 29 June 2018.

(iii) On the same day, the Company ("Creditor") concluded an additional Bill of Exchange Contract with a third party ("Issuer"), for the issue of a promissory note which has a value of €393.141,67 on 31 December 2017. The principal amount of the promissory note is €380.000, bears interest at the rate of 5,00% per annum calculated on a 365 or 366 days basis and is payable until 31 December 2017.

According to Amendment No.1 signed on 30 May 2017, the interest shall be calculated on a 360 days basis as from 26 April 2017.

## J&T SECURITIES MANAGEMENT PLC

---

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

#### 19. Trade and other receivables (continued)

On 29 December 2017, the Company ("Creditor") entered into a Bill of Exchange Contract, which replaces the existing Bill of Exchange Contract signed on 26 April 2017. The new Contract extends the maturity of the existing Bill of Exchange until 29 June 2018 and sets the interest rate at 7,25% per annum.

The above was replaced by a new Bill of Exchange Contract on 29 June 2018.

On 26 April 2017, the Company entered into a Contract on the set-off of receivables with a third party for the set-off of their mutual receivables. The aforementioned third party has a receivable from the Company, arising from the purchase price of Promissory notes 01/2017 - 08/2017 all issued on 26 April 2017, in the total amount of €3.880.000. The Company has a receivable from the Other party arising from the purchase price from the disposal of bonds in the total amount of €6.889.886,12, out of which the amount of €3.009.886,12 was already settled to the Company.

The Parties therefore, agreed to mutually set-off their receivables in the amount of €3.880.000.

(iv) On 11 April 2018, the Company ("Creditor") entered into a Bills of Exchange Contract, with a third party ("Issuer"), for the issue of a promissory note which has a value of €5.256.666,67. The principal amount of the promissory note is €5.000.000, bears interest at the rate of 7,00% per annum calculated on a 360 days basis and is payable until 31 December 2018.

(v) On 29 June 2018, the Company ("Creditor") entered into eight Bill of Exchange Contracts, with a third party ("Issuer"), for the issue of promissory notes, as follows:

- (1) Promissory note (PN) no. 01/2017/2 which has a value of €518.628,47 (principal amount of €500.000), bears interest at the rate of 7,25% per annum calculated on a 360 days basis and is payable until 31 December 2018.
- (2) PN no. 02/2017/2 which has a value of €518.628,47 (principal amount of €500.000), bears interest at the rate of 7,25% per annum calculated on a 360 days basis and is payable until 31 December 2018.
- (3) PN no. 03/2017/2 which has a value of €518.628,47 (principal amount of €500.000), bears interest at the rate of 7,25% per annum calculated on a 360 days basis and is payable until 31 December 2018.
- (4) PN no. 04/2017/2 which has a value of €518.628,47 (principal amount of €500.000), bears interest at the rate of 7,25% per annum calculated on a 360 days basis and is payable until 31 December 2018.
- (5) PN no. 05/2017/2 which has a value of €518.628,47 (principal amount of €500.000), bears interest at the rate of 7,25% per annum calculated on a 360 days basis and is payable until 31 December 2018.
- (6) PN no. 06/2017/2 which has a value of €518.628,47 (principal amount of €500.000), bears interest at the rate of 7,25% per annum calculated on a 360 days basis and is payable until 31 December 2018.
- (7) PN no. 07/2017/2 which has a value of €518.628,47 (principal amount of €500.000), bears interest at the rate of 7,25% per annum calculated on a 360 days basis and is payable until 31 December 2018.
- (8) PN no. 08/2017/2 which has a value of €394.157,64 (principal amount of €380.000), bears interest at the rate of 7,25% per annum calculated on a 360 days basis and is payable until 31 December 2018.

On 31 December 2018, the principal amount of all eight Bills of Exchange were repaid in full together with their accrued interest except from the accrued interest on PN nos. 07/2017/2 and 08/2017/2 (repaid on 2 January 2019).

(vi) On 17 October 2019, the Company ("Purchaser") concluded an Agreement on transfer of ownership of a promissory note with a third party ("Seller"), for the sale of a promissory note issued by J&T Energy Financing PNP B.V. which has a value of €2.725.308,22, it was originally issued on 28 September 2018 and matures on 28 September 2020.

The principal amount of the promissory note is €2.500.000, the accrued interest is €118.356,16, bears interest at the rate of 4,50% per annum and is payable until 28 September 2020. The purchase price is €2.605.205,48 and was settled on the same day.

The promissory note was fully settled on 18 December 2019.

# J&T SECURITIES MANAGEMENT PLC

---

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

### 19. Trade and other receivables (continued)

(vii) On 17 October 2019, the Company ("Purchaser") concluded an Agreement on transfer of ownership of a promissory note with a third party ("Seller"), for the sale of a promissory note issued by J&T Energy Financing PNP B.V. which has a value of €2.725.308,22, it was originally issued on 28 September 2018 and matures on 28 September 2020.

The principal amount of the promissory note is €2.500.000, the accrued interest is €118.356,16, bears interest at the rate of 4,50% per annum and is payable until 28 September 2020. The purchase price is €2.605.205,48 and was settled on the same day.

The promissory note was fully settled on 18 December 2019.

(viii) On 19 June 2019, the Company ("Purchaser") concluded an Agreement on transfer of ownership of a promissory note with a non-related party ("Seller"), for the sale of a promissory note issued by J&T Energy Financing PNP B.V. which has a value of CZK 10.458.739,73, it was originally issued on 21 December 2018 and matures on 20 December 2019.

The principal amount of the promissory note is CZK 10.000.000, has accrued interest of CZK 226.849,32, bears interest at the rate of 4,60% per annum and is payable until 20 December 2019.

The purchase price is CZK 10.226.849,32 and it was settled on the same day.

The promissory note was fully settled on 20 December 2019.

(ix) On 19 June 2019, the Company ("Purchaser") concluded an Agreement on transfer of ownership of a promissory note with a non-related party ("Seller"), for the sale of a promissory note issued by J&T Energy Financing PNP B.V. which has a value of CZK 10.314.136,99, it was originally issued on 21 December 2018 and matures on 20 September 2019.

The principal amount of the promissory note is CZK 10.000.000, has accrued interest of CZK 207.123,29, bears interest at the rate of 4,20% per annum and is payable until 20 September 2019.

The purchase price is CZK 10.207.123,29 and it was settled on the same day.

The promissory note was fully settled on 20 September 2019.

(x) On 18 November 2019, the Company ("Purchaser") concluded an Agreement on transfer of ownership of a promissory note with a non-related party ("Seller"), for the sale of a promissory note issued by J&T Energy Financing PNP B.V. which has a value of CZK 10.460.000, it was originally issued on 10 December 2018 and matures on 10 December 2019.

The principal amount of the promissory note is CZK 10.000.000, has accrued interest of CZK 432.273,97, bears interest at the rate of 4,60% per annum and is payable until 10 December 2019.

The purchase price is CZK 10.385.287,67 and it was settled on the same day.

The promissory note was fully settled on 10 December 2019.

(C) On 3 October 2017, the Company ("Seller") entered into a Call and Put Option Agreement with J&T Private Equity Group Limited ("JTPEG", "Purchaser") according to which, JTPEG shall have the right to purchase the shares that the Company has in its ownership, which consist of 300.000 pieces of Class A Investor Shares of nominal value of €100 per piece in the Sandberg Private Equity 2 Fund ("Shares"), being a sub-fund of Sandberg Investment Fund SICAV PLC. The remuneration for the exercise of the Put Option or the Call Option shall be €30.000.000, which shall be payable within two months following the exercise date. The exercise date shall be the day of delivery of the Call Option or the Put Option Notice. The Call and Put Option Period starts from the date of the signing of this Agreement and ends on 30 June 2018.

Per the Termination Agreement signed on 27 June 2018, the Parties agreed to terminate the Option.

(D) Shareholders' current account relates to the following:

On 30 December 2019, the Company and J&T Private Equity Group Limited ("Shareholder") entered into a Subscription Agreement further to the creation of 6.000 ordinary shares. The share capital of the Company is increased to 32.000 ordinary shares from 26.000. The new shares are subscribed by the Shareholder at a subscription price of €6.000 plus a premium of €5.994.000.

The amount of €5.000.000 was settled on 3 March 2020 and the amount of €1.000.000 on 5 March 2020.

## J&T SECURITIES MANAGEMENT PLC

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

#### 20. Financial assets at fair value through profit or loss

	2019	2018
	€	€
Balance at 1 January	73.807.180	54.700.373
Additions	103.428.387	167.329.537
Disposals	(102.500.332)	(160.397.016)
Change in fair value	2.653.174	12.304.547
Exchange differences	436.370	(130.261)
<b>Balance at 31 December</b>	<b>77.824.779</b>	<b>73.807.180</b>
Less non-current portion	-	-
Current portion	<u>77.824.779</u>	<u>73.807.180</u>

  

	Fair values 2019	Cost 2019	Fair values 2018	Cost 2018
	€	€	€	€
Securities listed on a Stock Exchange	<u>77.824.779</u>	<u>69.831.462</u>	<u>73.807.180</u>	<u>68.500.512</u>
	<u>77.824.779</u>	<u>69.831.462</u>	<u>73.807.180</u>	<u>68.500.512</u>

The financial assets at fair value through profit or loss are marketable securities and are valued at market value at the close of business on 31 December by reference to Stock Exchange quoted bid prices. Financial assets at fair value through profit or loss are classified as current assets because they are expected to be realised within twelve months from the reporting date.

In the cash flow statement, financial assets at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital. In the statement of profit or loss and other comprehensive income, changes in fair values of financial assets at fair value through profit or loss are recorded in operating income.

The Company's investments which exceeded 5% of the class "Securities listed on a Stock Exchange" and/or 5% of net assets are shown below:

Investment	Type of investment	Percentage in the investment category	Percentage of net assets	2019	2018
				€	€
J&T Ostravice Active Life Best Hotel Properties a.s. (BHP)	Unit certificate	11,09%	0,80%	598.501	1.084.478
J&T Investment Pool - I - SKK, a.s.	Security	7,78%	11,95%	8.281.027	8.281.027
J&T Investment Pool - I - CZK, a.s.	Security	36,22%	34,84%	24.150.569	23.064.989
	Security	20,40%	25,55%	<u>17.709.224</u>	<u>16.704.316</u>
				<u>50.739.321</u>	<u>49.134.810</u>

(A) On 31 December 2018, the Company holds 153.343 shares in Tatry mountain resorts, a.s. (TMR), 2.724.022 in Best Hotel Properties a.s. (BHP), 729.045 in CEZ, a.s.

In addition, the Company holds 133.003 shares in TMR, which are used as a pledge on the various REPO agreements with other financial institutions. Based on the various agreements, the Company sold and agreed to purchase back the above shares for a total of €3.140.970 (CZK 80.798.732,00) plus interest.

It also holds 69.000 shares in CEZ, a.s., which are used as a pledge on one REPO agreement, based on which, the Company sold and agreed to purchase back the above shares for a total of €1.178.069 (CZK 30.304.800) plus interest.

Moreover, the Company still holds 255 pieces of J&T Ostravice Active Life.

Finally, the Company holds 102 pieces of J&T Investment Pool - I - SKK, a.s. and 163 pieces of J&T Investment Pool - I - CZK, a.s.



## J&T SECURITIES MANAGEMENT PLC

---

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

#### 20. Financial assets at fair value through profit or loss (continued)

During the year 2018, the Company disposed all shares held with OPAP SA.

On 31 May 2018, the Company acquired 95.038,9659 pieces of Sandberg Private Equity 2 Fund, being a sub-fund of Sandberg Investment Fund SICAV PLC for a purchase price of €5.000.000 which was paid on 19 June 2018.

On 27 June 2018, the Company ("Seller") entered into a Share Purchase Agreement with Rigoberto Investments Limited ("Purchaser") for the disposal of 395.038,9659 pieces of Sandberg Private Equity 2 Fund, being a sub-fund of Sandberg Investment Fund SICAV PLC for a purchase price of €35.000.000, which is payable until 30 June 2018. The remuneration was received on 29 June 2018.

All pieces held in Sandberg Private Equity 2 Fund, which constitutes a sub-fund of Sandberg Investment Fund SICAV PLC, were disposed.

(B) On 31 December 2019, the Company holds 215.429 shares in Tatry mountain resorts, a.s. (TMR), 2.724.022 in Best Hotel Properties a.s. (BHP) and 842.086 in CEZ, a.s.

In addition, the Company holds 70.917 shares in TMR, which are used as a pledge on the various REPO agreements with other financial institutions. Based on the various agreements, the Company sold and agreed to purchase back the above shares for a total of €2.058.829,79 plus interest.

It also holds 25.959 shares in CEZ, a.s., which are used as a pledge on one REPO agreement, based on which, the Company sold and agreed to purchase back the above shares for a total of €410.312,44 (CZK 10.425.134,40) plus interest.

Moreover, the Company still holds 153 pieces of J&T Ostravice Active Life.

Finally, the Company holds 102 pieces of J&T Investment Pool - I - SKK, a.s. and 163 pieces of J&T Investment Pool - I - CZK, a.s.

#### 21. Cash at bank

Cash balances are analysed as follows:

	2019	2018
	€	€
Cash at bank and in hand	<u>145</u>	<u>798</u>
	<u>145</u>	<u>798</u>
<b>Maturity analysis:</b>	<b>2019</b>	<b>2018</b>
	€	€
On demand	<u>145</u>	<u>798</u>
	<u>145</u>	<u>798</u>

#### Cash and cash equivalents by currency:

	2019	2018
	€	€
Euro	78	247
Czech koruna	<u>67</u>	<u>551</u>
	<u>145</u>	<u>798</u>

The exposure of the Company to credit risk and impairment losses in relation to cash and cash equivalents is reported in note 7 of the financial statements.

## J&T SECURITIES MANAGEMENT PLC

---

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

#### 22. Share capital

	2019 Number of shares	2019 €	2018 Number of shares	2018 €
<b>Authorised</b>				
Ordinary shares of €1 each	11.000	11.000	11.000	11.000
Increase of Authorised share capital - Ordinary shares of €1 each	15.000	15.000	15.000	15.000
Increase of Authorised share capital - Ordinary shares of €1 each	6.000	6.000	-	-
	<u>32.000</u>	<u>32.000</u>	<u>26.000</u>	<u>26.000</u>
<b>Issued and fully paid</b>				
Balance at 1 January	26.000	26.000	11.000	11.000
Issue of shares	6.000	6.000	15.000	15.000
<b>Balance at 31 December</b>	<u>32.000</u>	<u>32.000</u>	<u>26.000</u>	<u>26.000</u>

#### Authorised capital

Under its Memorandum the Company fixed its share capital at 1.000 ordinary shares of nominal value of €1 each.

On 18 August 2011, the Company increased its authorised share capital by 10.000 ordinary shares of nominal value of €1 each. As a result, the authorised share capital of the Company increased to 11.000 ordinary shares of nominal value of €1 each.

On 20 June 2018, the Shareholders resolved with a Special Resolution, to increase the Authorised Share Capital of the Company by 15.000 ordinary shares, of nominal value of €1 per share.  
The total Authorised Share Capital after the increase is 26.000 shares.  
The new shares were all issued.

On 30 December 2019, the Shareholders resolved with a Special Resolution, to increase the Authorised Share Capital of the Company by 6.000 ordinary shares, of nominal value of €1 per share.  
The total Authorised Share Capital after the increase is 32.000 shares.  
The new shares were all issued.

#### Issued capital

On 18 August 2011, the Company increased its share capital by 10.000 ordinary shares of nominal value of €1 each at a total share premium of €50.914.000. As a result, the issued share capital of the Company increased to 11.000 ordinary shares of nominal value of €1 each.

On 20 June 2018, the Company increased its share capital by 15.000 ordinary shares of nominal value of €1 each. As a result, the issued share capital of the Company increased to 26.000 ordinary shares of nominal value of €1 each.

On 30 December 2019, the Company increased its share capital by 6.000 ordinary shares of nominal value of €1 each at a total share premium of €5.994.000. As a result, the issued share capital of the Company increased to 32.000 ordinary shares of nominal value of €1 each.

# J&T SECURITIES MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2019

### 23. Borrowings

	2019	2018
	€	€
Balance at 1 January	72.379.363	71.283.642
Additions	131.151.883	120.091.459
Repayments	(107.136.848)	(121.891.586)
Interest for the year	4.179.837	3.885.309
Exchange differences	734.992	(242.261)
Set off of balances	-	1.568.753
Repurchase of own long term debentures	-	(33.750.507)
Sale of repurchased own long term debentures	-	32.720.688
Capitalised expenses	-	(1.286.134)
<b>Balance at 31 December</b>	<b><u>101.309.227</u></b>	<b><u>72.379.363</u></b>

	2019	2018
	€	€
<b>Current borrowings</b>		
Bank loans	2.471.942	4.333.019
Debentures	858.250	632.870
Loans from associates (Note 26.5)	40.251.966	1.382.574
	<b><u>43.582.158</u></b>	<b><u>6.348.463</u></b>

<b>Non-current borrowings</b>		
Debentures	57.727.069	57.017.177
Loans from associates (Note 26.5)	-	9.013.723
	<b><u>57.727.069</u></b>	<b><u>66.030.90</u></b>
<b>Total</b>	<b><u>101.309.227</u></b>	<b><u>72.379.363</u></b>

Maturity of non-current borrowings:

	2019	2018
	€	€
Between one to two years	-	9.013.723
Between two and five years	57.727.069	57.017.177
	<b><u>57.727.069</u></b>	<b><u>66.030.900</u></b>

On 31 December 2019, the bank loans are secured as follows:

- By a pledge of 70.917 shares in Tatra Mountain resorts, a.s. (TMR) (2018: 133.033 shares in TMR).
- By a pledge of 25.959 shares in CEZ, a.s. (CEZ) (2018: 69.000 shares in CEZ).

The weighted average effective interest rates at the reporting date were as follows:

	2019	2018
Bank loans	2,50%-3,00%	2,50%-3,00%
Debentures	5%	5%
Loans from associates		4%, 4,20%, 1year Pribor + 5,21%
	4%, 4,50%	

(A) Loans from related parties

## J&T SECURITIES MANAGEMENT PLC

---

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

#### 23. Borrowings (continued)

(i) On 16 June 2016, the Company ("Debtor") entered into Loan Contract 26/JSML/2016 with J&T Private Equity B.V. ("Creditor") for the granting of a loan in the amount of €1.626.700, which bears interest at the rate of 4,20% per annum and is repayable on 15 December 2016.

Per Amendment No.1 signed on 14 December 2016, the repayment date has been extended until 15 September 2017.

Per Amendment No.2 signed on 14 September 2017, the repayment date has been extended until 15 March 2018.

Per Amendment No.3 signed on 15 March 2018, the repayment date has been extended until 15 March 2019.

Per Amendment No.4 signed on 14 March 2019, the repayment date has been extended until 15 March 2020. In addition, the parties agreed that as from 14 March 2019, the accrued interest (i.e. €187.369,10) shall be capitalised and become part of the loan.

On 31 December 2018, the outstanding balance of Principal is €1.626.700.

The loan was fully settled on 13 September 2019.

(ii) On 03 May 2017, the Company ("Debtor") entered into Loan Contract 31/JSML/2017 with J&T Private Equity B.V. ("Creditor") for the granting of a loan in the amount of CZK 17.282.325.81, which bears interest at 1 year PRIBOR plus a fixed rate of 5,21% per annum and is repayable until 02 May 2018.

On 28 February 2018, a Contract on Novation of Obligations was concluded between the Parties, according to which, the original Loan Contract 31/JSML/2017 is replaced by a Credit Contract, which has a credit limit of CZK 38.000.000 and bears interest at 1 year PRIBOR plus a fixed rate of 5,21 % per annum. The repayment date is still 02 May 2018.

Per Amendment No.1 to the Credit Contract concluded on 28 February 2018, signed on 02 May 2018, the repayment date has been extended until 31 December 2018.

Per Amendment No.2 to the Credit Contract concluded on 28 February 2018, signed on 31 December 2018, the repayment date has been extended until 31 December 2019.

On 31 December 2018, the outstanding balance of the Principal is CZK 35.433.527,59.

The loan was fully settled on 13 September 2019.

(iii) On 01 October 2018, the Company ("Debtor") entered into Credit Contract 32/JSML/2018 with J&T Private Equity B.V. ("Creditor") for the granting of a loan with a credit limit in the amount of €10.000.000, which bears interest at 4% per annum and is repayable until 31 December 2020.

On 31 December 2018, the outstanding balance of the Principal of 32/JSML/2018 is €7.212.340,79.

On 01 October 2018, the Company ("Buyer") entered into a Securities Purchase Agreement with a third party ("Seller"), for the acquisition of 163 shares in J&T Investment Pool - I - SKK, a.s. for the total purchase price of €22.625.663,25 and 102 shares in J&T Investment Pool - I - CZK, a.s. for the total purchase price of €16.357.780,90. The total purchase price of €38.983.444,15 was payable within one year from the signing of the Agreement.

On 01 October 2018, the Company ("Original Debtor"), entered into a Contract on Debt Assumption with a third party ("Creditor") and J&T Private Equity B.V. ("New Debtor"). According to the Agreement, the parties agreed that the Company shall assign to the New Debtor the debt towards the third party according to the above Securities Purchase Agreement (purchase price - €38.983.444,15), for the compensation amount of €38.983.444,15.

## J&T SECURITIES MANAGEMENT PLC

---

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

#### 23. Borrowings (continued)

On 01 October 2018, the Company entered into a Set Off Agreement for Mutual Receivables, with J&T Private Equity B.V. (JTPE). According to the Agreement, the Company holds a monetary receivable with JTPE originated from the Credit Contract concluded on 01 January 2014 for the amount of €36.900.638,16 ("Receivable 1") and a monetary receivable with JTPE originated from the Credit Contract concluded on 19 September 2014 for the amount of €505.630,46 ("Receivable 2"). On the other hand, JTPE holds a monetary receivable towards the Company originated from the Contract on Debt Assumption concluded on 01 October 2018 for the amount of €38.983.444,15 ("Receivable 3").

The parties agreed that the parties shall set off their mutual claims and Receivable 1 and Receivable 2 shall become extinct while Receivable 3 shall be reduced by €37.406.268,62 and shall be considered as the drawing of financial means based on the Credit Contract 32/JSML/2018, concluded on 30 November 2018 in the amount of €1.577.175,53.

Per Amendment No.1 signed on 29 November 2019, the credit limit was increased to the amount of €15.000.000.

On 31 December 2019, the outstanding balance of the Principal of 32/JSML/2018 is €11.351.599,86.

The loan was fully settled on 5 March 2020.

(iv) On 19 June 2019, the Company ("Debtor") entered into Credit Contract 33/JSML/2019/JTPE with J&T Private Equity B.V. ("Creditor") for the granting of a loan with a credit limit in the amount of CZK 20.433.972,61, which bears interest at the rate of 4,00% per annum and is repayable on 20 December 2019. The loan was fully settled on 20 December 2019.

(v) On 23 August 2019, the Company ("Debtor") entered into Credit Contract 34/JSML/2019/JTPE with J&T Private Equity B.V. ("Creditor") for the granting of a loan with a credit limit in the amount of €38.100.000, which bears interest at the rate of 4,50% per annum and is repayable on 31 December 2019.

Per Amendment No.1 signed on 31 December 2019, the repayment date has been extended until 31 December 2020.

The loan was fully settled on 3 March 2020.

On 31 December 2019, the outstanding balance of the Principal of 34/JSML/2019 is €28.791.325,59.

(vi) On 9 September 2019, the Company ("Debtor") entered into Loan Contract 35/JSML/2019/JTPE with J&T Private Equity B.V. ("Creditor") for the granting of a loan in the amount of CZK 31.000.000, which bears interest at the rate of 7,50% per annum and is repayable on 9 November 2019.

Per Amendment No.1 signed on 8 November 2019, the repayment date has been extended until 31 December 2019. The loan was fully settled on 20 December 2019.

(vii) On 17 October 2019, the Company ("Debtor") entered into Loan Contract 36/JSML/2019/JTPE with J&T Private Equity B.V. ("Creditor") for the granting of a loan in the amount of €5.210.410,96, which bears interest at the rate of 4,50% per annum and is repayable on 28 September 2020. The loan was fully settled on 18 December 2019.

(viii) On 31 October 2019, the Company ("Debtor") entered into Loan Contract 37/JSML/2019/JTPE with J&T Private Equity B.V. ("Creditor") for the granting of a loan in the amount of CZK 20.000.000, which bears interest at the rate of 6,65% per annum and is repayable on 31 December 2019.

Per Amendment 1 dated November 29, 2019 the maturity date was prolonged until May 31, 2020 and the credit limit was raised to CZK 145.000.000.

The loan was fully settled on 20 December 2019.

## J&T SECURITIES MANAGEMENT PLC

---

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

#### 23. Borrowings (continued)

##### (B) Bank Loans

Bank loans represent REPO agreements with financial institutions.

On 06 May 2013, the Company entered into an Agreement on the Exercise of Voting Rights Associated with Shares with a regulated financial institution for the security of loans by transfer of securities.

On 31 December 2018, the bank loans represent REPO agreements for 133.003 shares in Tatry mountain resorts, a.s. Based on the various agreements, the Company sold and agreed to purchase back the above shares for a total of €3.140.970 (CZK 80.798.732,00) plus interest.

The bank loans also represent REPO agreements for 69.000 shares in CEZ, a.s. Based on the various agreements, the Company sold and agreed to purchase back the above shares for a total of €1.178.069 (CZK 30.304.800) plus interest.

On 31 December 2019, the bank loans represent REPO agreements for 70.917 shares in Tatry mountain resorts, a.s. Based on the various agreements, the Company sold and agreed to purchase back the above shares for a total of €2.058.829,79 plus interest.

The bank loans also represent REPO agreements for 29.959 shares in CEZ, a.s. Based on the various agreements, the Company sold and agreed to purchase back the above shares for a total of €410.312,44 (CZK 10.425.134,40) plus interest.

##### (C) Debentures 2014

(i) On 17 July 2014, the Company ("Issuer") entered into a Mandate Agreement on provision of services related to the issue of the bonds with a third party ("Arranger"), for the issue of 400 fixed rate bonds of 6,25% per annum, with an interest period of 6 months, in the total principal amount of CZK 1.200.000.000, due in 2018.

The Company authorises the Arranger to proceed with various of services, since the Arranger is equipped with required experience for the provision of support to the Issuer.

On the issue date, the Company shall pay to the Arranger a remuneration of CZK 600.000 for the assistance to the Company within preparation of the documentation and CZK 3.000.000 for the intermediation of subscribers to the Company.

The remuneration shall be payable 7 days after the issue date.

Additionally, the Company is entitled to issue additional bonds up to the principal amount of CZK 600.000.000 during the issue period or in the additional issue period.

In addition to the remuneration, the Company shall pay to the Arranger all the documented costs connected with the issue of the bonds, legal costs, the costs of communication, notarial fees, costs of copying, costs of executing a final summary of documentation and the administrative costs of the Czech National Bank (CNB).

(ii) On 23 September 2014, the Company ("Issuer") entered into an Agreement with the a regulated financial institution ("Administrator"), according to which the Administrator agrees that in relation to the issue of the bonds, it will act as an administrator, a listing agent and a calculation agent. The Administrator shall notify the Company of the total amount of financial means, which are to be remitted to the internal account of the Administrator.

The Company shall pay remuneration to the Administrator, in the manner and the maturity dates agreed by and between the Company and the Administrator in a Special Arrangement to this Agreement.

## J&T SECURITIES MANAGEMENT PLC

---

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

#### 23. Borrowings (continued)

(iii) According to the Special Arrangement with the Administrator signed on the same date, the Company agrees to pay to the Administrator an annual remuneration of 0,15% of the overall volume of the issue of bonds, which is payable on the issue date for the first year and for each subsequent year, on the anniversary thereof.

(iv) Per the Agreement on Placement of Bonds signed on the same date between the Company ("Issuer") and a regulated financial institution ("Lead Manager"), the Lead Manager intends to ensure the process of the subscription and purchase of bonds and to identify proper subscribers who will subscribe the entire issue of bonds. The remuneration for the services provided shall be agreed in the Special Arrangement to this Agreement.

(v) According to the Special Arrangement to the Agreement on Placement of Bonds signed on the same date, the Company agrees to pay to the Lead Manager a remuneration of 1,50% of the overall volume of the bonds subscribed during the issue period or additional issue period, which is payable retrospectively on a monthly basis against an invoice issued by the Manager after the end of each calendar month of its activity as Manager for the previous calendar month.

The remuneration specified above is exclusive of the value added tax.

(vi) The Company has made the following two issues of bonds which are listed on the Prague Stock Exchange (PSE):

(1) On 22 October 2014, the Company issued 200 fixed rate bonds with the nominal value of each bond amounting to CZK 3.000.000, for the total amount of CZK 600.000.000. The maturity date is 22 October 2018. The interest payments are semi annually with the first due on 22 April 2015.

(2) On 05 November 2014, the Company issued additionally 200 fixed rate bonds with the nominal value of each bond amounting to CZK 3.000.000, for the total amount of CZK 600.000.000. The maturity date is 22 October 2018. The interest payments are semi annually with the first due on 22 April 2015.

(vii) However, on 10 December 2014, the Company has bought back 65 pieces of the bonds issued with nominal value of CZK 3.000.000 each, for the total amount of CZK 196.625.000 (CZK 195.000.000 plus accrued interest CZK 1.625.000).

(viii) On 08 January 2015, the Company has bought back 96 pieces of the bonds issued with nominal value of CZK 3.000.000 each, for the total amount of CZK 291.800.000 (CZK 288.000.000 plus accrued interest CZK 3.800.000).

During 2015, the Company sold all bonds repurchased.

The interest payments were made regularly up to the maturity date.

All bonds were repaid in full on 22 October 2018.

#### (D) Debentures 2018

(i) Per the Resolution of the Board of Directors signed on 14 September 2018, the Board agreed to issue 400 pieces of bonds, with possibility of increase up to 50% of the total issue volume, which have a nominal value of CZK 3.000.000 each (total of CZK 1.200.000.000) and maturity in year 2023.

(ii) On 20 September 2018, the Company ("Issuer") entered into a Mandate Agreement on provision of services related to the issue of the bonds with a regulated financial institution ("Manager") and a third party ("Arranger"), for the issue of 400 fixed rate bonds of 5% per annum, with an interest period of 6 months, in the total principal amount of CZK 1.200.000.000, due in 2023, which can be increased to 500 fixed rate bonds in the total principal amount of CZK 1.800.000.000.

The Company authorises the Arranger to proceed with various of services, since the Arranger is equipped with required experience for the provision of support to the Issuer costs of the Czech National Bank (CNB).

# J&T SECURITIES MANAGEMENT PLC

---

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

### 23. Borrowings (continued)

On 20 September 2018, the Company ("Issuer") entered into an Agreement with a regulated financial institution ("Administrator"), according to which the Administrator agrees that in relation to the issue of the bonds, it will act as an administrator, a listing agent and a calculation agent. The Administrator shall notify the Company of the total amount of financial means, which are to be remitted to the internal account of the Administrator.

The Company shall pay remuneration to the Administrator, in the manner and the maturity dates agreed by and between the Company and the Administrator in a Special Arrangement to this Agreement.

According to the Special Arrangement with the Administrator signed on the same date, the Company agrees to pay to the Administrator an annual remuneration of 0,10% of the overall volume of the issue of bonds, which is payable on the issue date for the first year and for each subsequent year, on the anniversary thereof.

Per the Agreement on Placement of Bonds signed on the same date between the Company ("Issuer") and a regulated financial institution ("Manager"), the Manager intends to ensure the process of the subscription and purchase of bonds and to identify proper subscribers who will subscribe the entire issue of bonds.

The remuneration for the services provided shall be agreed in the Special Arrangement to this Agreement.

According to the Special Arrangement to the Agreement on Placement of Bonds signed on the same date, the Company agrees to pay to the Manager a remuneration of 2% of the overall volume of the bonds subscribed during the issue period or additional issue period, which is payable retrospectively on a monthly basis against an invoice issued by the Manager after the end of each calendar month of its activity as Manager for the previous calendar month.

The remuneration specified above is exclusive of the value added tax.

In October 2018, the Company issued 400 bonds of total nominal value of CZK 1.200.000.000.

On 3 December 2018, the Company issued additionally 100 bonds of total nominal value of CZK 300.000.000.

On 31 December 2018 and 2019, the issued bonds of the Company have a total nominal value of CZK 1.500.000.000.

### 24. Trade and other payables

	2019	2018
	€	€
VAT	2.952	908
Derivative financial instruments	7.153	-
Accruals	44.790	21.780
Other creditors	31.417	268.573
	<u>86.312</u>	<u>291.261</u>

The fair values of trade and other payables due within one year approximate to their carrying amounts as presented above.

### 25. Current tax liabilities

	2019	2018
	€	€
Corporation tax	24.870	4.233
	<u>24.870</u>	<u>4.233</u>



# J&T SECURITIES MANAGEMENT PLC

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

### 26. Related party transactions

The Company is controlled by J&T Private Equity Group Limited, incorporated in Cyprus, which owns 100% of the Company's shares.

Until 15 December 2016, the ultimate controlling parties were nine non resident individuals and one resident individual.

However, as from 15 December 2016, the ultimate controlling parties are eight non resident individuals and one resident individual.

As from 20 June 2018, the ultimate controlling party is still J&T Private Equity Group Limited (99,77%) but the shareholders are:

- (1) J&T Private Equity Group Limited, incorporated in Cyprus, which owns 99,77% of the Company's shares,
- (2) Berg Nominees Limited (Cyprus - 0,038%),
- (3) Mrs. Evridiki Havva (Cypriot individual - 0,038%),
- (4) Mrs. Maria Skarpari (Cypriot individual - 0,038%),
- (5) Global Bridge Trustees Limited (Cyprus - 0,038%),
- (6) Profel Corporate Limited (Cyprus - 0,038%),
- (7) Mrs. Eleni Stylianou (Cyprus - 0,038%).

The following transactions were carried out with related parties:

#### 26.1 Directors' remuneration

The remuneration of Directors and other members of key management was as follows:

	2019	2018
	€	€
Directors' fees	<u>476</u>	<u>476</u>
	<u>476</u>	<u>476</u>

#### 26.2 Interest income

	2019	2018
	€	€
J&T Private Equity B.V.	<u>574.552</u>	<u>1.980.575</u>
	<u>574.552</u>	<u>1.980.575</u>

#### 26.3 Interest expense

	2019	2018
	€	€
J&T Private Equity B.V.	<u>856.410</u>	<u>592.221</u>
	<u>856.410</u>	<u>592.221</u>

#### 26.4 Loans to related parties (Note 18)

	2019	2018
	€	€
J&T Private Equity B.V.	<u>5.985</u>	<u>4.080.849</u>
	<u>5.985</u>	<u>4.080.849</u>

#### 26.5 Loans from related parties (Note 23)

	2019	2018
	€	€
J&T Private Equity B.V.	<u>40.251.966</u>	<u>10.396.297</u>
	<u>40.251.966</u>	<u>10.396.297</u>

# J&T SECURITIES MANAGEMENT PLC

---

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

### 26. Related party transactions (continued)

#### 26.6 Shareholders' current accounts - debit balances (Note 19)

	2019	2018
	€	€
Shareholders' current accounts	<u>6.000.000</u>	-
	<u>6.000.000</u>	-

The shareholders' current accounts are interest free, and have no specified repayment date.

### 27. Contingent liabilities

The Company had no contingent liabilities as at 31 December 2019.

### 28. Commitments

The Company had no capital or other commitments as at 31 December 2019 except from the following.

On 20 November 2018, the Company ("Pledgor") concluded an Agreement on Pledge of Shareholding Interest with a third party ("Pledgee") according to which the Company has established a Pledge for the shares held in Red Stone Now s.r.o. in favour of the Pledgee to secure the receivable of the Pledgee under the Loan Agreement dated 11 November 2018 (initial amount CZK 50.000.000).

On 19 December 2019, the Company ("Borrower") entered into a Loan Agreement No. 054/19/550088 with a financial institution ("Creditor") for the provision of a bank overdraft in the form of authorised debit balance on the Account of the Company up to the amount of €15.000.000, which bears interest at the rate of 5% per annum, which is repayable within one year after the effect of the Loan Agreement to the Account of the Company.

The following conditions should be complied with prior to the drawdown:

- i. Conclusion of the Loan Agreement,
- ii. Conclusion of Blank Note Issuance and Completion Agreement,
- iii. Preparation and submission of a Notarial Deed on the acknowledgement of the debt and direct enforceability containing the Company's legal obligation, which constitutes an instrument permitting enforcement over the entire property of the Company,
- iv. Issuance of the Company's blank promissory note and its subsequent handover to the Creditor, and
- v. Payment of the processing fee for the provision of loan.

The above conditions need to be met by 19 March 2020, so as the Company to be entitled to draw the loan funds.

The fees payable relating to the loan are the following:

- i. loan processing fee of €15.000 due as of the date of signature of the Loan Agreement, and
- ii. Commitment fee for the amount of the loan funds not drawn at 1% per annum, subject to specific terms included in the Agreement. The fee is due on a monthly basis.

The loan is secured by:

- i. a blank promissory note, and
- ii. a Notarial Deed.

### 29. Events after the reporting period

There were no material events after the reporting period, which have a bearing on the understanding of the financial statements, except from the following.

Per the Resolution signed on 3 February 2020, the Directos resolved to issue 1.000 additional bonds of a total nominal value of €100.000.000 with maturity in the year 2024. The bonds will be traded in the Bratislava Stock Exchange.

On 6 March 2020, 201 bonds were issued.

## J&T SECURITIES MANAGEMENT PLC

---

### NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

#### 29. Events after the reporting period (continued)

Per the Resolution of the Directors further to the Extraordinary General Meeting held on 3 March 2020, the increase of the share capital of the Company from 32.000 to 58.470 shares was resolved. The new 26.470 shares issued are issued at their nominal value of €26.470 and a premium of €59.973.530. The total subscription price is €60.000.000. All shares were subscribed by J&T Private Equity Group Limited. The increased capital was settled on 3 and 5 March 2020.

On 5 March 2020, the Company ("Purchaser") entered into an Agreement on Purchase of Securities with a third party ("Seller") for the acquisition of 638.385 shares in Tatry mountain resorts, a.s. ("TMR") of a total nominal value of €4.468.695 which represents a share of 9,517909%, for a purchase price of €23.492.568, which is payable upon signature of this Agreement. The purchase price was settled on the same day.

On 20 March 2020, the Company ("Assignee") entered into an Assignment Agreement with J&T Private Investments II B.V. ("Assignor") for the assignment of the following receivable: Receivable of the Assignor towards a third party ("Debtor") in the amount of €34.677.869,26, which is due until 31 December 2020, consisting from two parts; part A in the amount of €34.531.943,83, which consists of principal in the amount of €34.142.809,35 and accrued interest in the amount of €389.134,48, and part B in the amount of €145.925,43 originating from the Assignment Agreement signed on 31 December 2019.

From the above part A, the amount of €30.000.000 is assigned, consisting of principal in the amount of €29.661.935,20 and accrued interest in the amount of €338.064,80.

The remuneration for the assignment consists of two parts: part A in the amount of €29.661.935,20 along with interest of 5,20% per annum, and part B in the amount of €338.064,80.

The remuneration is payable until 31 March 2020. The remuneration was settled on 20 March 2020.

On 20 March 2020, the Company ("Preferred Creditor") entered into a Debt Subordination Agreement with J&T Private Investments II B.V. ("Creditor") and a third party ("Debtor") according to which the Parties wish to ensure that the Debtor's obligations to the Creditor arising from the Assignment Agreement concluded on the same date, are subordinated to Preferred Receivable. The Creditor agrees that without the consent of the Preferred Creditor, its receivables towards Debtor under the Agreement may be repaid only after the repayment of all existing or future claims towards the Debtor arising from the Preferred Receivable ("Priority Receivables").

The Creditor undertakes to the Preferred Creditor that before the date when all Priority Receivables shall have been paid, it shall not without consent of the Preferred Creditor demand or accept from the Debtor any payment relating to the Agreement or any other payment towards the Creditor's receivables from the Debtor ("Subordinated Receivables").

On 26 March 2020, the Company ("Creditor") entered into a Loan Contract No.38/JSML/2020/JTPE with J&T Private Equity B.V. ("Debtor"), for the granting of a loan in the amount of €23.800.000, which bears interest at the rate of 0,80% per annum and is repayable within 7 days after the Company has delivered to the Debtor a written request for payment.

On 26 March 2020, the Company ("Creditor") entered into a Loan Contract No.39/JSML/2020/JTPE with J&T Private Equity B.V. ("Debtor"), for the granting of a loan in the amount of CZK 525.000.000, which bears interest at the rate of 0,80% per annum and is repayable within 7 days after the Company has delivered to the Debtor a written request for payment.

On 16 and 22 April 2020, the interest payments relating to the fixed rate debentures were made.

## **J&T SECURITIES MANAGEMENT PLC**

---

### **NOTES TO THE FINANCIAL STATEMENTS**

Year ended 31 December 2019

#### **29. Events after the reporting period (continued)**

With the recent and rapid development of the Coronavirus disease (COVID-19) outbreak, the world economy entered a period of unprecedented health care crisis that has already caused considerable global disruption in business activities and everyday life. Many countries have adopted extraordinary and economically costly containment measures. Certain countries have required companies to limit or even suspend normal business operations.

Governments, including the Republic of Cyprus, have implemented restrictions on travelling as well as strict quarantine measures.

Industries such as tourism, hospitality and entertainment are expected to be directly disrupted significantly by these measures. Other industries such as manufacturing and financial services are expected to be indirectly affected and their results to also be negatively affected.

The financial effect of the current crisis on the global economy and overall business activities cannot be estimated with reasonable certainty at this stage, due to the pace at which the outbreak expands and the high level of uncertainties arising from the inability to reliably predict the outcome.

The event is considered as a non-adjusting event and is therefore not reflected in the recognition and measurement of the assets and liabilities in the financial statements as at 31 December 2019.

Management has considered the unique circumstances and the risk exposures of the Company and has concluded that the Company has entered into these turbulent times in a good financial condition and they do not expect any substantial increase in its credit risk due to the measures being adopted in response to the COVID-19 pandemic. Nevertheless, the exact impact of these events cannot be currently properly quantified as it ultimately depends on diverse factors which are not yet known. First and foremost, the period for which the adopted anti-pandemic measures will be in place cannot be determined, neither is it possible to exactly determine all the respective measures to be probably adopted towards mitigation of the negative economic impacts of the pandemic. Also, it is not yet clear what measures will be eventually adopted by competent institutions in charge of financial markets regulation, or how the financial markets will react to these circumstances.

**Independent auditor's report on pages 5 to 7**

## J&T SECURITIES MANAGEMENT PLC

### DETAILED INCOME STATEMENT

Year ended 31 December 2019

	Page	2019 €	2018 €
<b>Revenue</b>			
Dividend income		<b>813.822</b>	1.166.596
Interest income		<b>3.127.805</b>	922.893
Loan interest income		<b>800.524</b>	2.144.487
Net fair value gains on financial assets at fair value through profit or loss		<b>3.479.014</b>	12.842.112
<b>Other operating income</b>			
Profit from purchase of bills of exchange		<b>28.137</b>	-
Profit from sale of receivables		<b>5.432</b>	8.423
Profit from sale of financial assets at fair value through other comprehensive income		<b>177.060</b>	123.500
Reversal of impairment - debt investments at fair value through other comprehensive income		<b>267.415</b>	-
Reversal of impairment - loans to related parties		<b>56.306</b>	107.075
Exchange profit		<b>6.940.101</b>	5.823.901
		<b>15.695.616</b>	23.138.987
<b>Operating expenses</b>			
Administration expenses	58	<b>(184.601)</b>	(216.603)
		<b>15.511.015</b>	22.922.384
<b>Other operating expenses</b>			
Loss from cancellation of option		-	(10.290.000)
Broker commission and charges		<b>(73.388)</b>	(97.410)
Impairment charge - debt investments at fair value through other comprehensive income		<b>(511.303)</b>	(321.330)
Impairment charge - loans to related parties		<b>(3.340)</b>	(28.373)
Loss from sale of financial assets at fair value through other comprehensive income		<b>(104.110)</b>	-
Loss from sales of financial assets at fair value through profit or loss		<b>(19.023)</b>	(66.117)
Fair value losses on financial assets at fair value through profit or loss		<b>(825.840)</b>	(537.565)
Impairment charge - investments in associates		<b>(1.165.811)</b>	-
<b>Operating profit</b>		<b>12.808.200</b>	11.581.589
Finance costs	59	<b>(10.589.230)</b>	(9.214.716)
<b>Net profit for the year before tax</b>		<b>2.218.970</b>	2.366.873

## J&T SECURITIES MANAGEMENT PLC

---

### OTHER OPERATING EXPENSES

Year ended 31 December 2019

	2019	2018
	€	€
<b>Administration expenses</b>		
Municipality taxes	444	-
Annual levy	350	350
Courier expenses	845	1.150
Certification and legalisation expenses	4.617	1.910
Auditors' remuneration for the statutory audit of annual accounts	22.500	20.000
Auditors' remuneration for other assurance services	-	13.090
Auditors' remuneration - prior years	3.800	3.420
Accounting fees	14.790	14.790
Other professional fees	58.097	60.172
Translation fees	3.646	1.456
Directors' fees	476	476
Fines	12.000	100
Legal and professional	2.230	21.491
Administration and fees for bonds	60.806	78.198
	<u>184.601</u>	<u>216.603</u>

## J&T SECURITIES MANAGEMENT PLC

---

### FINANCE EXPENSES

Year ended 31 December 2019

	2019	2018
	€	€
<b>Finance costs</b>		
<b>Interest expense</b>		
Loan interest	856.410	592.221
Bank overdraft interest	5.857	43
Loan interest on REPO agreements	185.102	266.052
Debenture interest	3.138.325	3.027.036
<b>Sundry finance expenses</b>		
Bank charges	15.012	152
<b>Net foreign exchange losses</b>		
Realised foreign exchange loss	2.987.546	572.155
Unrealised foreign exchange loss	3.400.978	4.757.057
	<u>10.589.230</u>	<u>9.214.716</u>

## J&T SECURITIES MANAGEMENT PLC

### COMPUTATION OF CORPORATION TAX

Year ended 31 December 2019

Net profit per income statement	Page	€	€
	57		2.218.970
<u>Add:</u>			
Broker commission and charges		73.388	
Loss from sale of financial assets at fair value through other comprehensive income		104.110	
Loss from sales of financial assets at fair value through profit or loss		19.023	
Fair value losses on financial assets at fair value through profit or loss		825.840	
Impairment charge - investments in associates		1.165.811	
Impairment charge - loans to related parties		3.340	
Impairment charge - debt investments at fair value through other comprehensive income		511.303	
Realised foreign exchange loss		2.987.546	
Unrealised foreign exchange loss		3.400.978	
Annual levy		350	
Fines		12.000	
Non-allowable interest		761.149	
			<u>9.864.838</u>
			12.083.808
<u>Less:</u>			
Profit from sale of financial assets at fair value through other comprehensive income		177.060	
Fair value gains on financial assets at fair value through profit or loss		3.479.014	
Reversal of impairment - debt investments at fair value through other comprehensive income		267.415	
Reversal of impairment - loans to related parties		56.306	
Dividends received		813.822	
Realised foreign exchange profit		3.211.229	
Unrealised foreign exchange profit		3.728.871	
			<u>(11.733.717)</u>
<b>Chargeable income for the year</b>			<u><b>350.091</b></u>
<u>Calculation of corporation tax</u>	Income	Rate	Total
	€	%	€ c
<b>Tax at normal rates:</b>			
Chargeable income as above	<u>350.091</u>	12,50	43.761,38
Tax paid provisionally	<u>200.000</u>		<u>(25.000,00)</u>
			18.761,38
10% additional charge			<u>1.876,14</u>
<b>TAX PAYABLE</b>			<u><b>20.637,52</b></u>