Independent Auditor's Report

to the Financial Statements as at December 31, 2017 and to the Annual Report for 2017 and the Annual Report of the Company for 2017

Cornhill Management, o.c.p., a. s.

Einsteinova 24, 851 01 Bratislava, Slovak Republic
ID: 35 771 801

E.R. Audit, spol. s r.o., Gagarinova 7/b, 821 03 Bratislava, Slovak Republic, e-mail: eraudit@eraudit.sk
Commercial Register of District Court Bratislava I, section: Sro, file No.: 11217/B
ID: 35 692 855, Tax ID: 2020309621

2017

The Art of Investment

ANNUAL REPORT

Cornhill Management, o.c.p., a.s.

CORNHILL
MANAGEMENT

CONTENTS

A WORD FROM A MEMBER OF THE BOARD OF DIRECTORS

Jakub Sýkora
Chairman of the Board of Directors

Dear Shareholders, Dear Clients and Business Partners, Dear Colleagues,

In 2017, the global economy continued to recover to an extent of experiencing the best times since the major financial crisis of 2008. We can conclude that the high global economic growth in 2017 resulted from the long-term relaxed setting of monetary policies, in 2017 also coupled with a favourable fiscal policy. The euro area was helped by more favourable economic situation in the rest of the world, also recording an increase in domestic demand. Practically all member countries were successful. The good cyclical position of the economy should also persist over the next two years even though the forecasts agree about an upcoming moderate slowdown.

The greatest threat to the current positive economic development is related to the financial markets' reaction to the tightening of financial conditions. Over the past year, the risks to financial stability resulting from the financial markets development have deepened. This is due to the fact that most of the globally significant asset classes have been practically growing over the last 9 years and compared to the bottom reached after the major financial crisis their prices have risen roughly in hundreds of percent. Many have already reached or outperformed their pre-crisis levels.

The suspected price bubbles relate to the stock market (especially in the US) but to the bond markets as well. The impact of possible protectionist measures by the US represents another significant risk.

In terms of the objectives set, Cornhill Management, o.c.p., a. s. (hereinafter referred to as the "Company") was successful in 2017. We have managed to stabilise both the retail and institutional clients in conjunction with the individual products of our Company.

We have deepened the cooperation with our partners. We have achieved the planned economic result that follows our long-term strategy for the future.

The Company boats stability and the growing trust of its clients. In 2017, the Company brought innovations in online access to the investment accounts and improved the services of an open investment platform for its clients. Even if we did not bring any new product to the market, we have made a clear move to stabilise the Company's current product portfolio.

The Company, as a financial market operator, in 2017 finalised the MIFID II implementation and the preparation for new rules requiring some costs of changes to the IT systems and updating the processes used by the Company in relation to clients and supervisory authorities. The aim was to align with the new MIFID II requirements such as strengthening the investor confidence, reducing the market distortion risk, reducing the systemic risk and increasing the financial markets efficiency, avoiding unnecessary spending for market participants, ensuring a level playing field for market participants, increasing the market transparency for market participants, strengthening the transparency vis-à-vis the supervisory authority in the key areas etc. In this regard, the Company expanded its Board of Directors to three members in October 2017.

We would like to present you with the annual report of our Company for 2017 which provides an insight into our Company's strategy. Thanks to the growth of the global economy and the economy of the European Union we have achieved the planned economic results, maintaining the stability of our investment services portfolio. In 2017, there were no changes to our investment strategy which, by its nature, ranks among the growth strategies. I consider the set pace as very positive and I will be happy if we manage to keep or even outperform it in the near future. That is why we respond quite quickly to the market demand.

Our Company's results prove that we are able to keep moving our standards higher and also keep overcoming it. I will be glad if we continue completing our set goals and working to increase the client orientation, focusing on addressing new clients not only among individuals but also companies or small and medium-sized businesses. I firmly believe that we will be able to fulfil our business mission, consolidate our position as well as the respect of a strong and reliable institution on the insurance market.

Hereby, I would like to thank our shareholders for their trust, support and inspiring consultations provided generously to our Company in 2017, as well as our employees and collaborators for their understanding and completing of our Company's strategic goals, to enable us to offer our constantly improving products and services to the ever increasing number of clients. In 2017, we achieved success thanks to our clients, partners and, last but not least, thanks to our employees.

Jakub Sýkora
Chairman of the Board of Directors
Cornhill Management, o.c.p., a.s.

AT A GLANCE

Registered office:	Einsteinova 24, 851 01 Bratislava, Slovak Republic
ID:	35 771 801
Tax ID:	2020275587
Registered at:	Companies Register District Court Bratislava I., section Sa, insertion 4532/B
Legal status:	Joint Stock Company
Main business activity:	Investment services, investment activities and ancillary services under Act No. 566/2001 Coll. on Securities and Investment Services (The Securities Act) as amended and to the following extent: 1. Receiving and execution of clients' orders related to one or more financial instruments in relation to the follwoing financial instruments: a) transferable securities, b) shares or securities issued by foreign collective investment entities, 2. Execution of orders on behalf of clients in relation to the follwoing financial instruments: a) transferable securities, b) shares or securities issued by foreign collective investment entities, 3. Portfolio management relating to the following financial instruments: a) transferable securities, b) shares or securities issued by foreign collective investment entities, 4. Investment advice in relation to the following financial instruments: a) transferable securities, b) shares or securities issued by foreign collective investment entities, 5. Custody and administration of financial instruments on behalf of the client, including custodianship and related services, mainly administration of cash and financial guarantees in relation to the following financial instruments: a) transferable securities, b) shares or securities issued by foreign collective investment entities, 6. Investment research and financial analysis or other forms of general recommendations relating to transactions involving financial instruments
Shareholders as of December 31, 2017:	SFM Group International S.A., Grand Duchy of Luxembourg 100 %
Registered Share Capital:	EUR1,494,000 (4,500 pcs of registered shares with a nominal value of EUR332)
Contact details:	Cornhill Management, o.c.p., a.s. Aupark Tower, Einsteinova 24 851 01 Bratislava 0800 11 11 44 www.cornhillmanagement.eu info@1cornhill.eu

This annual report has been prepared in accordance with the Accounting Act No. 431/2002 Coll. as amended.

SENIOR MANAGEMENT AND ORGANISATIONAL STRUCTURE

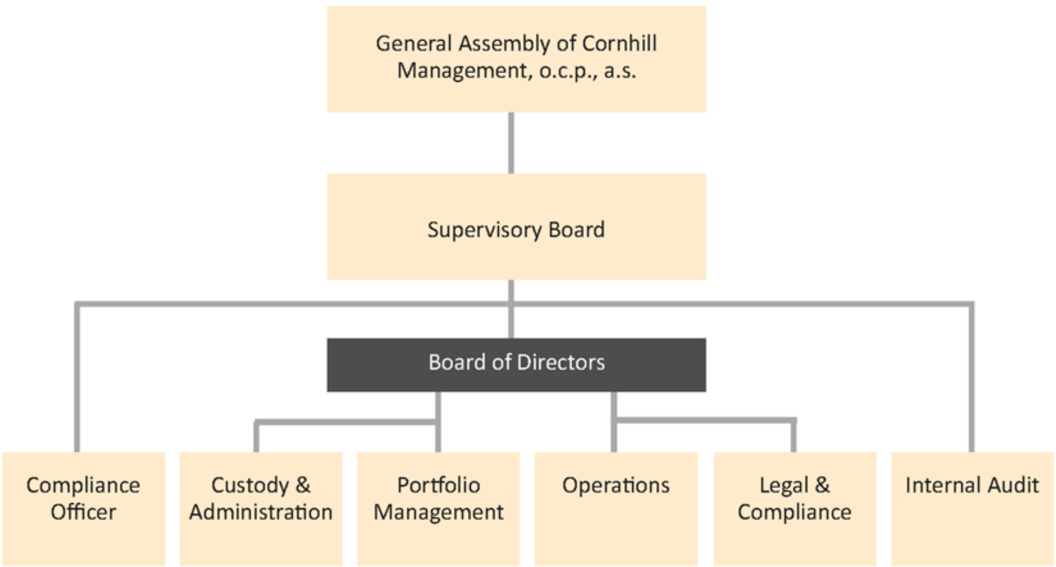
Board of Directors

Jakub Sýkora	Chairman of the Board of Directors
Ján Šimunič	Member of the Board of Directors (from 4 October 2017)
Daniel Petrakovič	Member of the Board of Directors (from 4 October 2017)

Supervisory Board

Derek Chambers	
Jana Frňková	
Daniel Petrakovič	(until 4 October 2017)
Dominika Dombrovská	(from 4 October 2017)

Our Company's internal organisational structure is set up in order to comply with all the requirements of our supervisory authorities and relevant legislation, but also to ensure the effective operation of Company.



OBJECTIVES FOR 2018

In 2018, we expect the clients' increasing interest in investing to continue. Long-term monetary and fiscal incentives implemented by multiple governments will continue to lead to economic growth and increased volumes of available cash. Major political events will take place this year, including the continuation of Brexit. At the same time, the increased global risk of terrorism persists. These factors could be critical for the development of economies and markets in 2018.

The strategic objective of the Cornhill Management Group in 2018 is to continue enhancing the cooperation with pension companies. The Group also plans to focus on acquisitions of companies or investment projects. Naturally, Cornhill Management, o.c.p., a.s. supports these plans and goals. In particular, by further improving the services of the open investment platform, as well as by developing new solutions and procedures leading to an increased value offered to clients. In 2018, we plan to start preparing a joint product with a banking institution, but at the same time we would like to address the retention of our existing clients. Last but not least, the implementation of new legislation is underway, in particular alignment with the new rules and requirements brought by the General Data Protection Regulation towards the end of May 2018.

PRODUCT RANGE

Cornhill Management, o.c.p. a.s. works with various business partners to deliver the following products:

FlexMax Investment Account

The FlexMax Investment Account is a specialised investment product allowing a number of investments within a single investment plan. The product provides access to a wide choice of funds from a range of asset management companies, allowing clients to build up a wide range of investments using a single product.

NEW Lifestyle

NEW Lifestyle is a flexible investment product which allows regular or lump sum investments throughout the investment period into an investment strategy that automatically-adjusts depending on how long the client has been invested and how long they have to go until the end of the investment period. Once the investment period ends, clients may then choose between receiving a lump sum payment or regular payments during the drawdown phase.

FlexMax Konto

FlexMax Konto is an investment programme providing maximum investment freedom and flexibility to allow clients to meet their financial targets. The wide range of mutual funds on offer as part of the product allows investors to actively adjust their investment strategies over the life of the programme.

Lifestyle account (Konto života PLUS)

Lifestyle account is a regular investment product offering investors a flexible investment strategy to implement a long-term financial plan which can then be used to create an annuity for retirement or, if the client prefers, the attainment of more short-term financial goals.

LifeFlex

LifeFlex is a regular investment product offering a flexible investment period of between three and ten years. Investors may choose between regular or lump sum investments as well as various investment strategies that correspond to their risk profile.

World Investment Opportunities Funds SICAV

Part of our World Funds products, the World Investment Opportunities Funds (WIOF) are currently registered for public offer in a number of countries across Europe. The WIOF family is composed of 10 sub-funds. The sub-funds are unique in that each individual fund is managed by an investment professional selected becuase of their bery specific and often localised knowledge of a geographic region, ensuring the highest levels of performance while also meeting all risk control criteria.

World Performance Portfolios SICAV

Cornhill's World Performance Portfolios (WPP) product is a Luxembourg based range of sub-funds that invest in equity and bond markets. The funds aim to achieve a level of historic volatility within a pre-determined range for each sub-fund. WPP is available to both retail and institutional investors.

World Strategy Portfolios SICAV

A Cornhill product, World Strategy Portfolios (WSP) is a set of funds of funds aimed at producing long term capital growth. WSP has a set investment return target and aims to meet a specified market volatility range within a pre-determined time period. Investors can select from a range of share classes according to subscription currency and charging structure.

World Shariah Funds

Cornhill's World Shariah Funds (WSF) are a series of sub-funds whose investment processes strictly adhere to Shariah regulations. The sub-funds invest in both selected regional and global markets and investors can choose from six share classes with a range of charging structures and minimum investment levels.

OTHER FACTS

Human Resources

In 2017

- the Company had on average 28 employees,
- the Company had 9 newly recruited employees,
- 6 employees left the Company,
- the Company had 26 full-time employees as of the date of the completion of the financial statements .

In 2018, the average number of employees in the Company is expected to be 31.

Employee facts for 2017

- the Company employed 45% women and 55% men,
- the average age of Company employees was 39 years,
- 79% of employees have a university education.

Cornhill's environmental footprint

The activity of the Company had no negative impact on the environment.

Research and development costs

The Company did not invest in research and development in the 2017 financial year.

High level financial results

The economic result of the Company for 2017 is a profit of EUR136,803.

Overview of financial results since 2014:
- 2016: net profit of EUR108,380,
- 2015: net profit of EUR114,271,
- 2014: net profit of EUR46,292.

In 2017 the Company had the following significant revenues:
- revenues from provision of investment services (portfolio management, custodianship services) EUR 2,503,323,
- revenues from services provided within the WPP fund EUR131,129,
- revenues from services provided within the WSP fund EUR159,079,
- revenues from services provided within the WIOF fund EUR242,679.

In 2017 the Company incurred the following significant costs:
- personnel costs EUR707,232,
- commissions paid to the intermediaries EUR72,079,
- marketing activities EUR129,415,
- rental of premises and related services EUR130,135,
- bank charges EUR50,196,
- product support and development EUR287,754,
- product education and trainings EUR277,169,
- product administrative support EUR393,600.

The equity share of total resources as of December 31, 2017 was 80%.

The Company did not purchase any of its own securities in 2017.

The Company did not open any branches abroad.

FINANCIAL INDICATORS OF THE COMPANY

1. Liquidity

- Immediate liquidity (recommended value 20 - 90%)

Immediate liquidity denotes the share of short-term liabilities a Company is able to cover with liquid funds (liquid funds: cash, stamps and vouchers, deposits in financial institutions).

2017	2016	2015
117%	107%	97%

Effective liquidity increased by 10 percentage points in 2017 compared to the previous year.

- Common liquidity (recommended value more than 100%)

Common liquidity refers to the extent short-term liabilities are covered by liquid funds and receivables. It also allows the Company's payment readiness to be assessed.

2017	2016	2015
537%	462%	388%

Current liquidity rose 75 percentage points in 2017 compared to the previous year. The Company is able to cover short-term liabilities with liquid funds and short-term receivables.

- Overall liquidity (recommended value 150 - 250%)

Overall liquidity is the ratio of circulating assets to short-term liabilities. It should be above 150%.

2017	2016	2015
537%	462%	388%

The Company's overall liquidity increased by 75 percentage points compared to 2016, significantly exceeds the minimum recommended value. The Company is able to cover short-term liabilities with circulating assets.

2. Level (ratio) of self-financing (own equity to total capital ratio) in %

This is a reflection of the Company's financial independence – its ability to cover its needs with its own equity. It should be at least 30%.

2017	2016	2015
80%	76%	64%

The degree of self-financing grew 4 percentage points in 2017 compared to the previous year.

3. Foreign to own equity ratio

	2017	2016	2015
foreign equity ratio (EUR)	497,794	595,580	1,007,127
own equity ratio (EUR)	2,008,458	1,871,655	1,763,275
share of foreign and own equity ratio in %	25%	32%	57%

In 2017 the Company's foreign to own equity ratio decreased by 5 percentage points compared to the previous year.

4. Level of financial independence (own equity to foreign equity rate) in %

2017	2016	2015
404%	330%	175%

In 2017 the level of financial independence rose 89 percentage points compared to the previous year.

5. Gross debt in %

Gross debt of more than 50% indicates a very high level of debt.

2017	2016	2015
20%	24%	36%

In 2017 the Company's gross debt fell 4 percentage points compared to 2016.

6. Cost intensity of revenues

2017	2016	2015
0.96	0.96	0.99

There was no change of the indicator of cost intensity of revenues in 2017 compared to the previous year.

7. Return on assets (Profitability of assets)

2017	2016	2015
5%	5%	4%

The return on assets stayed at the same level compared to the previous year.

Report on the Audit of the Financial Statements

to the Shareholders of Cornhill Management, o.c.p., a.s.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Cornhill Management, o.c.p., a.s., with its registered office at Einsteinova 24, 851 01 Bratislava (the "Company"), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended 31 December 2017, and notes to the financial statements, including a summary of significant accounting policies and accounting methods, and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) as adopted in the European Union (EU).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing. 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 provisions of Act No. 423/2015 on Statutory Audit and on Amendment to Act No. 431/2002 on Accounting, as amended (hereinafter the "Statutory Audit Act") as regards ethical requirements, including the Code of Ethics for Auditors, that are relevant to our audit of the financial statements, and we comply also with other ethical responsibilities under these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibility of the Statutory Body for Financial Statements

The statutory body is responsible for the preparation of financial statements that give a true and fair view in accordance with the Act on Accounting, and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing financial statements, the statutory body 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 it either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is 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 International Standards on Auditing 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 economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, 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 and methods used and the reasonableness of accounting estimates and related disclosures made by the statutory body.

- Conclude on the appropriateness of the statutory body's 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 fair presentation.

Report on Other Legal and Regulatory Requirements

<u>Report on Information Disclosed in the Annual Report</u>

The statutory body is responsible for information disclosed in the annual report prepared under the requirements of the Act on Accounting. Our opinion on the financial statements stated above does not apply to other information in the annual report.

In connection with the audit of financial statements, our responsibility is to gain an understanding of the information disclosed in the annual report and consider whether such information is materially inconsistent with the audited financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated.

We evaluated whether the Company's annual report includes information whose disclosure is required by the Act on Accounting.

Based on procedures performed during the audit of the financial statements, in our opinion:

- Information disclosed in the annual report prepared for 2016 is consistent with the financial statements for the relevant year; and
- The annual report includes information pursuant to the Act on Accounting.

Furthermore, based on our understanding of the Company and its position, obtained in the audit of the financial statements, we are required to disclose whether material misstatements were identified in the annual report, which we received prior to the date of issuance of this auditor's report. There are no findings that should be reported in this regard.

Bratislava, April 27, 2018

E.R. Audit, spol. s.r.o.
Gagarinova 7/b, 821 03 Bratislava
Commercial Register of District Court
Bratislava I, section: Sro, file No.: 11217/B
Licence SKAU No. 114

Ing. Beata Rusová
Responsible auditor
Licence SKAU No. 499

STATEMENT OF FINANCIAL POSITION

TO DECEMBER 31, 2017

(In whole Euros)	**Note**	**31.12.2017**	**31.12.2016**
Assets			
Cash and cash equivalents	3	765,419	542,054
Claims on clients	4	259,279	338,174
Financial assets at fair value are revalued through the income statement	5	501,350	386,837
Intangible assets	6	4,975	3,907
Tangible fixed assets	7	7,394	2,404
Deferred tax assets	8	137,436	84,943
Income tax		-	57,178
Other assets	9	830,399	1,051,738
Assets total		2,506,252	2,467,235
Liabilities			
Provisions	10	62,646	71,325
Income tax		67,297	-
Other liabilities	11	367,851	524,255
Liabilities total		497,794	595,580
Equity			
Share capital		1,494,000	1,494,000
Reserve funds		123,578	110,602
Retained earnings		254,077	158,673
Accumulated loss			
Profit/ (loss) for the reporting period		136,803	103,380
Equity total		**2,008,458**	**1,871,655**
Total liabilities and equity together		**2,506,252**	**2,467,235**

Financial statements which include the notes on pages 19 to 49 were signed on April 20, 2018.

.... Signature of statutory body

.... Signature of the person responsible for preparation of financial statements

.... Signature of the person responsible for accounting

STATEMENT OF FINANCIAL POSITION

TO DECEMBER 31, 2017

(In whole Euros)	Note	31.12.2017	31.12.2016
Income from fees and commissions	12	2,862,360	2,484,988
Expenses for fees and commissions	12	(590,387)	(605,330)
Net fee and commission revenue	***12***	***2,271,973***	***1,879,658***
Interest income and similiar income	13	34,566	34,566
Interest expense and similiar expense	13		
Net interest income	***13***	***34,460***	***34,566***
Net (loss)/profit from financial instruments at fair value, revalued through profit and loss statement	14	(1,170)	(13,343)
Net (loss)/profit from operations with foreign exchange and assets and liabilities, valued in foreign currency	15	(31,195)	(53,997)
Net loss/profit from trading		***(32,365)***	***(67,340)***
Payroll costs	16	(707,223)	(643,398)
Depreciation of tangible and intengible assets	16	(3,518)	(3,573)
Other administrative costs	16	(1,287,201)	(1,276,010)
Total administrative costs	***16***	***(1,997,942)***	***(1,922,981)***
Total administrative costs	***17***	***(14,262)***	***(23,575)***
Ostatné prevádzkové výnosy	***17***	***400,013***	***366,632***
Costs for Creation of provisions for other assets		**(477,727)**	**(99,090)**
Profit before tax		**184,150**	**167,870**
Deferred income tax	8	(52,493)	(25,397)
Income tax	18	(99,840)	(34,093)
Profit after tax		**136,803**	**108,380**
Other parts of comprehensive result		**-**	**-**
Total comprehensive income for the year		**136,803**	**108,380**

Financial statements which include the notes on pages 19 to 49 were signed on April 20, 2018.

.... Signature of statutory body

.... Signature of the person responsible for preparation of financial statements

.... Signature of the person responsible for accounting

STATEMENT OF CHANGES IN EQUITY

A summary of changes in equity during the accounting period is shown below.

Item	Registered capital EUR	Reserve funds EUR	Funds from valuation EUR	Retained earnings EUR	Total EUR
Closing balance as of December 31, 2015	1,494,000	99,175	-	170,100	1,763,275
Profit/ loss in 2016	-	11,427	-	96,953	103,380
Closing balance as of December 31, 2016	**1,494,000**	**110,602**	**-**	**267,053**	**1,871,655**
Profit in 2017	-	-	-	136,803	136,803
Dividend distribution		12,976		(12,976)	
Closing balance as of December 31, 2017	**1,494,000**	**123,578**	**-**	**390,880**	**2,008,458**

A settlement regarding the use of the Company's profit of EUR129,763.67 for 2016 was agreed at a General Assembly held on June 30, 2017 as follows:

- EUR12,976.37 to be transferred to the Company's legal reserve fund,
- part of the amount - EUR116,787.30 - will remain as undivided profit.

STATEMENT OF CASH FLOWS

TO DECEMBER 31, 2017

	2016	2016
Cash flow from operating activities		
Profit/ loss for accounting period before tax	184,150	167,870
Adjustments by non-monetary operations		
Depreciations	3,518	3,573
Change in reserves	(8,679)	(3,171)
Profit/loss from sale of capital assets		
Profit or loss from operations with foreign currency and with assets and liabilities valued in foreign currency	31,195	53,997
Revaluation of financial assets in real value revalued through profit and loss account	1,170	13,343
Impairment of assets value	477,727	99,090
Interest recorded under expenses		
Interest recorded under income	(34,460)	(34,566)
Other non-monetary operations	(74,782)	-
Change in receivables against clients	78,895	(145,281)
Change in trading securities	(114,462)	(4,951)
Change in trading securities		
Loans provided		
Change in other assets and other tax receivables	(254,352)	181,149
Increase in the balance of liabilities	(81,622)	(408,377)
Interest paid		
Accepted interest	8	-
Returned tax/Paid tax	24,635	(35,928)
Net cash flow from operating activities	**232,941**	**(113,252)**
Cash flow from investment activities		
Purchase of intangible and tangible assets	(9,576)	(832)
Income from sale of intangible and tangible assets	-	-
Sale of securities for sale	-	-

Net cash flow from investment activities	**(9,576)**	**(832)**
Cash flow from financial activities		
Instalments for finance lease		
Change in loans	-	-
Dividends paid	-	-
Net cash flow from financial activities	**-**	**-**
Cash and cash equivalents increase (decrease)	223,365	(114,084)
Cash and cash equivalent at the beginning of the year	**542,054**	**656,138**
Cash and cash equivalent at the end of the year	**765,419**	**542,054**

The notes on pages 19-49 are part of the Financial Statements.

FINANCIAL STATEMENTS

1. General information

Cornhill Management, o.c.p., a.s. was established on August 3,1999 and was registered in to the Commercial Register on 09.03.1999 (Commercial Register of District Court Bratislava in Bratislava I, Section Sa, File No. 4532 / B). Company Identification Number (ID) is 35771801, tax identification number (TIN) is 2020275587.

The main activities of the Company

The Company's main activity is the provision of investment services, investment activities and ancillary services according to act no. 566/2001 Law on Securities and Investment Services and on amendments to some laws as amended to the extent:

- receipt and transmission of client orders for one or more financial instruments in relation to financial instruments,
- execution of orders on behalf of clients in relation to financial instruments,
- portfolio management in relation to financial instruments,
- investment consulting in relation to financial instruments,
- deposit and administration of financial instruments on behalf of clients, including custodianship and related services, especially money management and financial guarantees in relation to financial instruments,
- investment research and financial analysis or other forms of general recommendation relating to transactions with financial instruments.

Legal basis for preparing financial statements

The Company's financial statement as of December 31, 2017 is in accordance with Slovak law, § 17 par. No. 6 of Act No. 431/2002 Accounting Act, for the period from January1, 2017 to December 31, 2017.

Date of approval of financial statements for the previous reporting period

The Company's financial statement as of December 31, 2016, for the previous reporting period, was approved by General Assembly on June 30, 2017.

Members of the statutory and the supervisory authority of the Company

Board of Directors

Jakub Sýkora
Ján Šimunič (from 4 October 2017)
Daniel Petrakovič (from 4 October 2017)

Supervisory Board

Jana Frňková
Daniel Petrakovič (until 4 October 2017)
Derek Chambers
Dominika Dombrovská (from 4 October 2017)

Information about the consolidated entity

The Company is not included in the consolidated financial statements of any other Company.

Ownership Structure

The sole shareholder of the Company is SFM Group International S.A. registered at 20A rue des 3 Cantons, 8354 GARNICH.

As of December 31, 2017	Share of fixed assets		Voting rights
	in EUR (rounding)	%	%
SFM Group International S.A.	1,494,000	100	100
Total	**1,494,000**	**100**	**100**

2. Accounting principles and methods that were used

The Company's financial statements ("Financial Statements") for the year ended December 31, 2016 have been prepared in accordance with International Financial Reporting Standards (hereinafter "IFRS") as adopted by the European Union and the Act No. 431/2002 of Slovak law on accounting as amended.

The Financial Statements include at least one comparable period.

Basis of preparation of financial statements

The Financial Statements have been prepared on an accrual basis, it means that the Company reports effects of transactions and other events at the time when they occur Transactions and other events are reported in the period to which the Financial Statements relate, assuming that the Company continues as a going business

The Financial Statements have been prepared using historical cost valuation, with financial instruments recalculated to real value.

The currency used is the euro ("€") and balances are given in whole euro sums.

Significant accounting estimates

The preparation of financial statements in accordance with IFRS requires the establishment of estimates and assumptions that affect the reported amounts of assets and liabilities and for the development of accruals of active and passive losses on the balance sheet date and the reported amounts of revenues and expenses during the accounting period. Actual results may be different from estimates because of future changes in economic conditions, business strategies, regulatory requirements, accounting rules, or other factors which could cause a change in estimates.

Significant areas requiring subjective judgement:

- amounts recognized as reserves are calculated based on the judgement of the managementand represent the best estimate of expenses required to settle a liability of uncertain timing or amount.

Cash and cash equivalents

Cash and cash equivalents for purposes of drawing up *"Statement of cash flows"* and *"Statement of financial position"* include cash and balances on current accounts and other bank accounts with a contractual maturity less than three months.

Foreign currency

The Company's operational currency is the euro.

Foreign currency transactions are initially recorded in the functional currency, while the foreign currency amount uses the exchange rate announced by the European Central Bank ("ECB") the day before the transaction between the functional currency and foreign currency.

The transaction date is the date when the transaction first qualifies to be reported in accordance with International Financial Reporting Standards. For practical reasons, often using a rate that approximates the actual rate at the date of the transaction, for example average rate per week or month can be used for all transactions in each foreign currency occurring during the accounting period. However, if the rate fluctuates considerably, the use of the average rate for a period is inappropriate. The Company will use the exchange rate announced by the ECB on the day preceding the transaction.

Foreign exchange differences incurred by revaluations of assets and liabilities in foreign currency are booked as net profit / loss from operations in foreign exchange and assets and liabilities, as valued foreign currency. On the last day of the month the Company always converted assets and liabilities denominated in foreign currency to EUR using the exchange rate of the ECB on the day preceding that day or the ECB rate on the last day of each month and the date on which financial statements are compiled.

Financial assets

The Company recognises trading securities as financial assets at fair value, revalued through profit and loss statement. Trading takes the form of active and frequent buying and selling, and financial instruments held for trading are generally used to generate profit from short-term changes in price or dealer margins.

Trading securities are securities held to generate profit from short-term changes in price. Valuing is the difference in correlation of values booked through profit or loss on account of the net loss / profit from financial instruments at fair value revalued through profit and loss statement.

The transaction date is the date of settlement (settlement date).

The settlement date is the date on which the asset is delivered to an entity or asset which is supplied by the entity. Settlement date accounting means:

- recognition as an asset on the date of its receipt by the entity and
- derecognition of assets and recognition of any profits or losses on disposal on the date of an entity and its delivery the Company recognizes any change in the fair value of the assets to be accepted within the period starting from the date of the transaction until the settlement date, in the same way as acquired assets are recognized . For assets classified as financial assets at fair value through profit and loss statement,any change in value is recognized in profit, and with respect to assets classified as available for sale, is recognized in equity.

The securities are initially recorded at its fair value. If there is a difference between the price at which the securities held for trading are procured and their fair value, the difference is income or expense to be charged to the account Net loss / profit from financial instruments in fair value revalued through profit and loss statement.

From the date of acquisition debt security is added to the interest income account. Accrual of interest is calculated using the effective interest rate.

On the day of the revaluation of the security it is written down or charged in a securities account in the corresponding entry to or from the account Net loss / profit from financial instruments in fair value revalued through profit or loss statement for trading securities and credit or debit to account "Funds from the award " in the case of securities for sale. Evaluation has no effect on interest income attributed to a particular security.

Valuation of financial instruments

The Company determines fair value using the following hierarchy of methods:

- Stage 1: The market price in active markets for identical instrument.
- Stage 2: Valuation techniques based on directly observable inputs (e.g. prices) or indirectly (for example, directly derived from prices). This method involves instruments valuated by using the following information: the quoted price in active markets for similar instruments or other valuation techniques where all significant inputs are observable directly or indirectly from market data.
- Stage 3: valuation techniques using significant unobservable inputs.

Reported amounts of financial instruments in fair value analyzed by the above methods of valuation:

to December 31, 2016

Financial instruments				
		Stage 1	Stage 2	Stage 3
Financial assets remeasured at fair value through profit and loss statement	6	-	386,837	-
Total			**386,837**	

to December 31, 2017

Financial instruments				
		Stage 1	Stage 2	Stage 3
Financial assets remeasured at fair value through profit and loss statement	5	-	501,350	-
Total			**501,350**	

Reserves

A reserve is a liability of undetermined timing or amount.

An obligating event is an event that creates a legal or constructive obligation that leads to the Company having no realistic alternative but to settle a given obligation.

The legal obligation is an obligation that derives from:

- a contract (through its explicit or implicit terms);
- legislation or
- other legal act.

Non-contractual obligation is an obligation that derives from the activities of the Company if:

- established patterns of behaviour from past practice, published procedures or a sufficiently specific current statement of the Company indicated to the other parties to accept certain liabilities
- consequently the Company created a valid expectation on the part of other parties to fulfill this responsibility.

Reserves and other liabilities

Reserves can be differentiated from other liabilities such as current trade liabilities and future expenses because there is uncertainty about the period or amount of future expenses required in settlement.

A reserve is reported when:

- the Company has a present obligation (legal or constructive) as a result of a past event,
- it is probable that the settlement of the obligation will be required to outflow of resources embodying economic benefits and
- it is possible to make a reliable estimate of the liability.

If these conditions are not met, no reserve is reported.

The best estimate

- The amount reported as a reserve is the best estimate of expenses required to settle the present obligation at the date the financial statements are prepared.
- The best estimate of expenses required to settle the present obligation is the amount paid by the Company to settle a logical obligation on the date the financial statements are prepared or to its transfer to the third party at that time. There will be often impossible or prohibitively expensive to settle or transfer an obligation at the date the financial statements are prepared. However, the best estimate of an expense should be provided about the amount which would the Company logically pay to settle or transfer the obligation, provided that such an expense is required for the current obligation to be settled to the date of compilation of the annual report. However, estimate of the amount to be logically paid by the Company to settle or transfer an obligation is the best estimate of an expense required to settle the present obligation at the date the financial statements are prepared
- Estimates of results and financial impacts are determined by the management accounting unit, supplemented by experiences of similar transactions and, in some cases, reports from independent experts.. Evidence under consideration contains any additional evidence provided by the events following the balance sheet date. Any uncertainty surrounding the amount at which a reserve is recognised shall be determined according to circumstances. When the reserve, which is valued, contains a wide set of items, the obligation is estimated by

considering all possible outcomes by their associated probabilities. This statistical method of estimation is "expected value". A reserve will therefore be different depending on whether the probability of loss from the amount is 60 percent or 90 percent. If there is a continuous range of possible results and each point of this range is as likely as any other, the mid-point range will be used.

Asset Impairment

Identification of impaired assets

The Company has the date on which the financial statements are prepared and the last day of each quarter to determine whether there is an indication that an asset may be impaired. If there is any indication, the Company estimates the recoverable amount of such assets. The recoverable amount of an asset or cash generating unit is the higher of these two values:

- fair value of assets minus cost of sales
- the value of used assets.

Fair value minus cost of sales - is the amount obtainable from the sale of an asset or cash generating unit in transaction under the usual conditions, between knowledgeable, willing parties minus cost from the sale. Cost of sales are costs directly related to the sale of assets, excluding finance costs and tax costs.

The value of a used asset - is the present value of future cash flows expected to be derived from an asset or cash generating unit.

The recoverable amount for a given asset must always be determined so that the real value of the asset minus costs to sell and value in use can also be determined. If one of these values is higher than the accounting value, the asset is impaired and it is not necessary to determine a second value.

Fair value minus costs to sell

The best evidence of fair value of an asset minus costs to sell is the price in a binding sales contract at independent transaction, adjusted for the additional costs that would be directly attributable to the disposal of the asset. If there is no binding sale agreement but the asset is traded in an active market, the fair value of the asset minus costs to sell is the market value of the asset minus cost of disposal. The appropriate market price is usually the current price of the tender. If it is not immediately possible to determine the offer prices, the fair value of an asset minus costs to sell can be estimated based on the final price of the provided transaction and there is no significant change in economic circumstances between the transaction date and the date the estimate is made.

External indicators of impairment

- The market value of the asset during the period fell significantly more than would be expected due to time or normal usage
- Significant changes in technology, the market, economic or legal environment in which the Company operates or in the market for which the asset is determined to have occurred within a period or become in the near future, with a negative impact on business
- An increase in market interest rates or rates of return on investment with it being likely that this increase will affect the discount rate used in calculating the value of the asset used and significantly reduce its recoverable value.

Internal indicators of impairment

- Accounting net value of the asset is higher than its market capitalization,
- Evidence of obsolescence or physical deterioration,
- Significant changes with a negative impact on business that have occurred over a period or will occur in the near future in scope and intended use of the asset that is or will be determined. These changes include plans for cancellation or restructuring of operations in which the asset is used or unplanned disposal of the asset
- Evidence from internal reporting that indicates that the economic performance of the asset is or will be lower than expected.

Tangible and intangible assets

Purchase price of assets, plant and equipment are recognized as assets only if:

- it is likely that the accounting entity will incur future economic benefits from the item, and
- cost of the item can be measured reliably.

Components of purchase price

Purchase price of an asset, plant and equipment includes:

- the purchase price, including import duties and non-reimbursable taxes, after deducting trade discounts and rebates,
- tll directly attributable costs in connection with the transportation of an asset to a destination and in a state in which it is capable of operation, by a method determined by management,
- initial estimate of the cost of dismantling and removing the item and rebuilding to its original state, which is an obligation for the entity starting either by the acquisition of the assetor as a result of its use during a particular period for other purposes than to produce inventories during this period.

The depreciable value of an asset is systematically scheduled for the whole cycle of its working life.

The residual value and useful life of the of asset should be reviewed at least at the end of each financial year and if the expected value differs from previous estimates, the amount is recorded as an accounting estimate in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and errors*.

Depreciation is recognized even if the fair value of the asset exceeds its accounting value but only if its residual value does not exceed its book value. Repairs and maintenance do not exclude the need to depreciate an asset.

Depreciable asset value is determined after deduction of its residual value. In practice, the residual value of assets is often insignificant and therefore not relevant in calculating the depreciable value.

The residual value of an asset may be increased to an amount equal to its accounting value or higher. In this case, the depreciation expense of assets is zero when its residual value has subsequently been reduced to an amount less than the book value of assets.

The depreciation of an asset begins from the time it is available for use meaning when it is in situ and in a state in which it is capable of operating in a manner determined by management. The depreciation of the asset shall be terminated either on the date when the asset is classified as available for sale (or included in a group that is classified as available for sale) in accordance with IFRS 5, or the date on which the reporting of assets is completed, whichever is the sooner. Therefore, if the usage of the asset is interrupted or its active usage is terminated, depreciation of the asset is not completed unless the asset is fully depreciated. When using the performance method of depreciation, the depreciation expense may be equal to zero if the asset is not used within production.

The future economic benefits included in the assets are used mainly by its use. Other factors, such as technical or commercial obsolescence and physical depreciation of assets during the period when the asset is not used, might often result in a decrease of economic benefits which could be otherwise obtained from the asset. All of the following factors must be considered in determining the useful life of an asset:

- The expected use of assets. This use is assessed with regard to the expected capacity or physical output of the assets
- The expected physical use which depends on operational factors such as number of shifts, during which an asset is in use and schedule of repairs and maintenance, as well as the level of maintenance and care of an asset when not in use
- Technical or commercial obsolescence arising from changes or improvements in production or from changes in market demand for the product or service representing the outputs of assets
- Legal or similar limits on the use of assets, such as the date for the completion of related leases.

The useful life of assets is determined according to the expected utilization of assets by the Company. The principles of the

Company's asset management may involve an asset's disposal after a specified period of time or after consumption of certain part of the future economic benefits included in the asset. The useful life of an asset may therefore be shorter than its economic life. Estimated useful lives of assets are a matter of judgment based on the experience of the Company's accounting unit with similar assets.

The amortization of intangible assets is based on the expected period of use and expected physical use.
Depreciation starts within the month, when the intangible assets were put into use, therefore when the intangible assets are prepared for the intended use.An intangible asset is considered an asset valued at more than EUR2,400 and with a useful life of longer than one year, while intangible assets also include assets valued at less than EUR2,400 and more than EUR450 and a useful life of longer than one year. Assets with a value of less than EUR450 and useful life shorter than one year are for accounting purposes recorded only once as a cost. Estimated useful life, depreciation method and depreciation rate are shown below:

	Expected period of use in years	Depreciation method	Annual depreciation rate in %
Software	2; 5	linear	50; 20

Depreciation of tangible assets are based on their expected period of use and expected useful life. Depreciation starts within the month, when the intangible assets were put into use, therefore when the intangible assets are prepared for the intended use.. Tangible assets are assets with an acquisition cost greater than EUR1,700 and operational - technical time of use is longer than one year, while tangible assets also include assets valued at less than EUR ,700 and more than 450 EUR and a useful life of longer than one year. Assets whose value is less than EUR450 and useful life is shorter than one year are recorded for accounting purposes only once as a cost.

Estimated useful life, depreciation method and depreciation rate are shown below:

	Expected period of use in years	Depreciation method	Annual depreciation rate in %
Technical assessment of leased property	5	linear	20
Machinery and equipment	2; 4	linear	50; 25
Transport Equipment	3; 4	linear	33,3; 25
Inventory	4; 6	linear	25; 16,7

Lease

A lease is classified as a finance lease when all risks and rewards connected to ownership are transferred. The lease is classified as an operating lease, if if there is no substantial transfer of all risks and rewards connected to ownership.

Because the transaction between the lessor and the lessee is based on a leasing contract between them, it is appropriate to use consistent definitions. Applying these definitions to the differing circumstances of the lessor and lessee may result in the same lease being classified differently. This can happen for example if the lessor benefits from a residual value guaranteed by a person who is unrelated to the lessee.

Whether the lease is a finance lease or an operating lease depends on the nature of the transaction not on the form of contract. Examples of situations that could, individually or in combination normally lead to classification of leases as finance leases are:

- ownership of an asset at the end of its leasing is transferred to the lessee,
- the tenant has an option to purchase the asset at a price which is expected to be significantly lower than real value at the date the option becomes applicable, in the case that at the beginning of the lease it is reasonably certain that the option is applicable,
- the term of the lease comprises of the substantial part of the economic life of the asset even if ownership is not transferred,
- at the beginning of leasing the present value of minimum lease payments at least equals the entire real value of the leased asset
- rented asset has such a specific nature that without major modifications it can only be used by the lessee.

Finance lease

At the beginning of the leasing period the Company reports finance leases as assets and liabilities on their balance sheets at amounts set at at the beginning of the lease that equal the real value of the leased asset or, if lower, the present value of minimum lease payments. Discount rate used to calculate the present value of minimum lease payments, is the implicit interest rate of leasing, if it can be determined, and if not, then the interest rate of loans to the lessee. Any initial direct costs of the lessee are added to the amount recognized as an asset.

Transactions and other events are booked and presented in accordance with their substance and financial reality and not only in legal form. Even when the legal form of leasing agreements is such that the lessee can not obtain legal rights to the leased assets, the nature and financial reality of finance leases is such that the lessee acquires the economic benefits from the use of the leased asset during a substantial part of its economic life in exchange for taking the obligation to pay an amount for that right at the beginning of the lease which is close to the real value of the financial asset and related fees.

Company finance leases are reported in the statement of financial position as well as assets and liability to pay future lease payments. At the beginning of the lease term, the assets and liabilities of future lease payments are recorded in the balance in equal amounts less initial direct costs of the lessee that are added to the amount recognized as an asset.

Initial direct costs are often created in connection with specific leasing activities, such as negotiating and securing leasing arrangements. The costs identified as directly attributable to costs of activities undertaken by the lessee for financial leasing are added to the amount recognized as an asset.

Deferred tax

Deferred tax assets are the amounts of income taxes refundable in future periods in connection with:

- deductible temporary differences (temporary differences)
- unused tax losses transferred from previous years and
- unused tax relief transferred from previous years.

Temporary differences are differences between the accounting value of an asset or liability in the balance sheet and their tax base. Temporary differences may be either:

- taxable temporary differences are temporary differences that result in taxable amounts in determining taxable profit (tax loss) in future periods when the book value of an asset or liability is recovered back or settled across, or
- deductible temporary differences are temporary differences that result in amounts that are deductible in determining taxable profit (tax loss) in future periods when the carrying amount of an asset or liability is recovered back or settled across.

When reporting an asset it is important that its accounting value is paid in the form of economic benefits that will flow back to the Company in the future. If the value of the asset exceeds the tax base, the value of taxable economic benefits will exceed the amount recognized as deductible for tax purposes. This difference is a taxable temporary difference and to pay the final income taxes from future periods is a deferred tax liability. When the Company recovers the accounting value of the asset, the taxable temporary difference is canceled and the accounting entity will have taxable profit. As a result, it is probable that the economic benefits will leave the Company via tax payments.

Some temporary differences arise when incomes or expenses are included in accounting profit in one period, but included in taxable income in another period. Such temporary differences are often described as timing differences. The following are examples of temporary differences of this kind which are taxable temporary differences, and therefore create deferred tax liabilities:

- The depreciation used in determining taxable profit (tax loss) may differ from those used in determining accounting profit. A temporary difference is the difference between the book value of an asset and its tax base, which equals the original cost of the asset less deductions in respect of the asset recognized by tax authorities in determining taxable profit for the current period and previous periods. Taxable temporary difference arises, and creates deferred tax liability, when tax depreciation is accelerated (if tax depreciation is slower than the accounting, there is a deductible temporary difference which creates a deferred tax asset).

Cost , revenues and accruals

Costs and revenues are always charged in the period to which they relate. Correction of significant errors of the previous accounting period are always charged to retained earnings from previous years or retained loss from previous years.

The criteria for accrual charging are that their factual content, the amount and period to which they relate is known. The accounting unit follows the accrual expenses and revenues on a monthly basis.

Client Assets

Clients' assets and liabilities of entrusted assets are assets which have been entrusted to a securities trader as part of the provision of investment services or those the securities trader has acquired as part of the provision of investment services to clients and with a commitment to return those assets.

Assets in the portfolio, submitted for management, are valued on the last day of the month.

Off-balance sheet evidence

The entity recognizes as off-balance sheet accounts:

- Debts and liabilities of the liens, security and other transfers of rights, security - assets taken as security and assets given as security and commitment of all kinds of material security. Securitiesare recognized at fair value,
- Clients' assets and liabilities of their entrusted assets values taken into custody,administration , for deposit, which are handled within the portfolio acquired for management, values entrusted for the purpose of the purchase or sale of securities for client, are recorded based on the benefits for client from the provided investment service (for example collection of dividends from administered share) and values rendered for client, which are recorded as settlement with the market of transactions carried out fo the account of client,
- amortized receivables.

New standards and interpretations applied in the period for this report

The Company implemented all new and revised standards and interpretations issued by International Accounting Standards Board - IASB) and International Financial Reporting Interpretations Committee - IFRIC) at JASB related to its activities, which were approved by the EU with effect for the accounting periods commencing on January 1, 2017:

- Amendments to IAS 7 "Statement of Cash Flows" – Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- Amendments to IAS 12 "Income Taxes" – Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),
- Amendments to various standards "Improvements to IFRSs (cycle 2014 – 2016)" resulting from the annual improvement project of IFRSs (IFRS 12 only) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017).

The adoption of these amendments did not lead to any changes in the Company's accounting principles.

New standards and interpretations not yet effective

The following standards and interpretations or amendments to the existing standards and interpretations were issued as of the date of the compilation of these financial statements and are effective for the yearly accounting period commencing on January 1, 2018 or later:

- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016) – the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016) – effective date deferred indefinitely until the research project on the equity method has been concluded,
- Amendment to IFRS 2 "Share-based payments" (effective for annual periods beginning on or after 1 January 2018),
- IFRS 9 "Financial Instruments" and subsequent amendments (effective for annual periods beginning on or after 1 January 2018),

- Amendment to IFRS 9 “Financial Instruments” – Early Repayment with Negative Compensation (effective for annual periods beginning on or after 1 January 2019),
- IFRS 15 “Revenue from Contracts with Customers” (effective for annual periods beginning on or after 1 January 2018),
- IFRS 16 “Leases” (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IAS 28 “Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2019),
- Amendments to IAS 40 “Investment Property” – Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- Amendments to various standards “Improvements to IFRSs (cycle 2014 – 2016)” resulting from the annual improvement project of IFRSs (IFRS 1 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (with effect from 1 January 2018),
- Amendments to various standards “Improvements to IFRSs (cycle 2015 – 2017)” resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 a IAS 23) primarily with a view to removing inconsistencies and clarifying wording (with effect from 1 January 2019)
- IFRIC 22 “Foreign Currency Transactions and Advance Consideration” (effective for annual periods beginning on or after 1 January 2018).
- IFRS 23 “Accounting for income tax uncertainties” (effective for annual periods beginning on or after 1 January 2019).

The Company decided not to adopt these standards, revised versions and interpretations prior to the date on which they come into effect. The Company expects the adoption of these standards, revised versions and interpretations does not have a significant impact on its financial statements in the period after their first adoption.

Corrections of errors of previous periods

During the current accounting period the errors of the previous accounting period were corrected by correcting the liabilities, equity and costs. The corrections concerned additional charging of commission costs of EUR21,383.

These corrections affected the following items of statements for the period up to 31/12/2016:

· Statement of financial position
  - o Other liabilities
  - o Profit/(loss) for the reporting period

· Statement of comprehensive income
  - o Cost of fees and commissions

· Statement of changes in equity
  - o Profit/loss for 2016

· Statement of cash flows
  - o Profit or loss for the accounting period before tax
  - o Change in the status of liabilities

3. Cash and cash equivalents

Cash and cash equivalents	31. 12. 2017	31. 12. 2016
Cash in the Treasury	9,779	8,830
Current accounts in banks (with payment period to 3 mont	755,640	533,224
Total	**765,419**	**542,054**

Cash and cash equivalents are reported as petty cash, valuables and bank accounts with agreed payment period up to 3 months, which the dealer uses for manages cash flow.

4. Claims to clients

Claims to clients	31. 12. 2017	31. 12. 2016
Claims to clients - Slovak Republic	9,185	13,225
Claims to clients - Czech Republic	29,321	32,946
Claims to clients - Great Britain	220,656	291,895
Claims to clients - Poland	117	108
Total	**259,279**	**338,174**

Claims clients are charges for services provided to investment such as portfolio management of clients for products Konto života PLUS/ Lifestyle account, Konto života, LifeFlex and FlexMax.

5. Financial assets remeasured at fair value through profit and loss statement

Trading securities	ISIN	31.12.2017	31.12.2016
GFG FX ALGORITHMIC FUND	GG00BQRRWB08	309,880	315,609
Central & Eastern Europe Real Estate Fund	MT0000076423	0	0
WSF Global Equity Fund - USD Class I	GG00B4Q85X38	74,080	71,228
WIOF International Equity Fund - Class A GBP	LU1594446863	58,697	
WIOF International Equity Fund - Class B GBP	LU1594447325	58,693	
Total		**501,360**	**386,837**

GFG FX ALGORITHMIC FUND

GFG FX Algorithmic Fund is an optimised selection of FxPro algorithmic strategies that trade on multiple major currencies with emphasis on EUR/USD, GBP/CHF, GBP/USD and USD/JPY.

Central & Eastern Europe Real Estate Fund

Indirect investments in real estate through real estate listed and unlisted funds, which invest mainly in Central and Eastern European securities and securities related to Central and Eastern European real estate.

WSF Global Equity Fund

Worldwide investments into an actively managed portfolio of Shariah-compliant equities, which may be located in any jurisdiction or in any economic sector and quoted on a Recognised Stock Exchange.

World Investment Opportunities Funds

WIOF represents a comprehensive offer of investment subfunds registered in Luxembourg since 1999, in the leading European Investment Fund Centre for Trading Worldwide.

WIOF is an open investment company listed on the official list of collective investment undertakings under the Luxembourg law of 20 December 2002 on collective investment undertakings.

6. Non-current intangible assets

Overview of intangible assets from January 1, 2016 to December 31, 2016:

Type		Purchase price	Adjustments and impairment	Net book value
Intangible assets	**1.1.2016**	**39,702**	**34,394**	**5,308**
	+ increase	**-**	**1,401**	
	- decrease			
	+/- transfer	**-**		
	31.12.2016	**39,702**	**35,795**	**3,907**
Software and other intangible assets	1.1.2016	39,702	34,394	5,308
	+ prírastky	-	1,401	
	- decrease	-		
	+/- transfer	-		
	31.12.2016	39,702	35,795	3,907

Overview of intangible assets from January 1, 2017 to December 31, 2017:

Type		Purchase price	Adjustments and impairment	Net book value
Intangible assets	**1.1.2017**	**39,702**	**35,795**	**3,907**
	+ increase	**2,694**	**1,626**	
	- decrease			
	+/- transfer	**-**		
	31.12.2017	**42,396**	**37,421**	**4,975**
Software and other intangible assets	1.1.2017	39,702	35,795	3,907
	+ increase	2,694	1,626	
	- decrease			
	+/- transfer	-		
	31.12.2017	42,396	37,421	4,975

7. Long-term tangible assets

Overview of fixed assets from January 1, 2017 to December 31, 2017:

Type		Purchase price	Adjustments	Residual value
Tangible assets	**1.1.2017**	**192,661**	**190,257**	**2,404**
	+ increase	**6,883**	**1,893**	
	- decrease	**-**	**-**	
	+/- transfer	**-**	**-**	
	31.12.2017	**199,544**	**192,150**	**7,394**
Machines and equipment	1.1.2017	71,775	69,371	2,404
	+ increase	6,883	1,893	
	- decrease	-	-	
	+/- transfer	-	-	
	31.12.2017	78,658	71,264	7,394
Vehicles	1.1.2017	61,242	61,242	-
	+ increase	-	-	
	- decrease	-	-	
	+/- transfer	-	-	
	31.12.2017	61,242	61,242	-
Inventory	1.1.2017	39,296	39,296	-
	+ increase	-	-	
	- decrease	-	-	
	+/- transfer	-	-	
	31.12.2017	39,296	39,296	-
Other fixed assets	1.1.2017	20,348	20,348	-
	+ increase	-		
	- decrease	-	-	
	+/- transfer	-	-	
	31.12.2017	20,348	20,348	-

Overview of fixed assets from January 1, 2016 to December 31, 2016:

Type		Purchase price	Adjustments	Residual value
Tangible assets	**1.1.2016**	**191,829**	**188,086**	**3,743**
	+ increase	**832**	**2,171**	
	- decrease	**-**	**-**	
	+/- transfer	**-**	**-**	
	31.12.2016	**192,661**	**190,257**	**2,404**
Machines and equipment	1.1.2016	70,943	67,578	3,365
	+ increase	832	1,793	
	- decrease	-	-	
	+/- transfer	-	-	
	31.12.2016	71,775	69,371	2,404
Vehicles	1.1.2016	61,242	61,242	-
	+ increase	-	-	
	- decrease	-	-	
	+/- transfer	-	-	
	31.12.2016	61,242	61,242	-
Inventory	1.1.2016	39,296	38,918	378
	+ increase	-	378	
	- decrease	-	-	
	+/- transfer	-	-	
	31.12.2016	39,296	39,296	-
Other fixed assets	1.1.2016	20,348	20,348	-
	+ increase	-		
	- decrease	-	-	
	+/- transfer	-	-	
	31.12.2016	20,348	20,348	-

There was no adjustment/correction made regarding tangible or intangible assets

The non-fixed assets of the Company are insured with the insurance company Union poisťovňa, a.s. for the sum of EUR 132,800 and there is a separate insurance for cars for which the ownership is transferred to the finance Company based on the contract on the security transfer of ownership right.

8. Deferred tax liability

The calculation of deferred tax has been made with the tax rate applicable for 2018 which is 21%.

The calculation of deferred tax assets is shown in the table below:

Deferred tax	31.12.2017	31.12.2016
Temporary differences between the accounting value of assets and liabilities and their tax base		
- deductible (tangible fixed assets)	12,034	12,544
- deductible (reserve for clients bonuses)	62,646	71,325
- deductible (provisions not included into the tax base)	552,230	229,752
- deductible (liabilities after payment period)	23,302	86,595
- tax deductible costs after payment	4,247	4,276
Total temporary differences	**654,459**	**404,492**
Income tax (in %)	21%	21%
Deferred tax receivable	137,436	84,943
Deferred tax receivable	**137,436**	**84,943**

Client bonuses

Clients using the LifeFlex product have, under certain terms and conditions of the agreed period of saving, a right to a bonus. The Company has created financial reserves to the full amount for these bonuses, less a discount rate.

The change in deferred tax assets is included in the table below:

Change in deferred tax assets	in Euro
Value to December 31, 2016	84,943
Value to December 31, 2017	137,436
Change	**52,493**

9. Other assets

Other assets	December 31, 2017	December 31, 2016
Various debts	1,433,268	1,201,587
Provided loans	672,492	638,040
Deferred expenses	36,531	35,810
Long term advance payments	33,293	33,293
Short term advance payments	382	205
Deferred income	-	10,760
Resources	208	92
Other assets before adjustments	**2,176,174**	**1,919,787**
Decreased value of assets (provisions)	1,345,775	868,049
Total other assets	**830,399**	**1,051,738**

Other claims include short-term claims from business activity, investment brokering services and other services.
The age structure of various debts to December 31, 2017 is given in the table below:

Different debts						
within payment period	after payment period					
	to 30 days	from 31 to 90 days	from 91 to 180 days	from 181 to 360 days	over 360 days	Total
142,402	7,544	32,195	52,084	106,070	1,092,973	**1,433,268**

Information about costs for future periods can be found in this chart:

Costs for future periods	December 31, 2017	December 31, 2016
Deferred expenses - Rent	31,398	30,632
Insurance	3,030	2,598
Software updates	1,511	1,828
Other	592	752
Total	**36,531**	**35,810**

Long term advance payments are rent payments paid in advance.

No security has been created for the above claims.

The Company has no interest in assets after payment.

Creation of adjusted (corrected) entries

As at December 31, 2017, the Company recognised provisions in the amount of EUR1,345,775 (2016: EUR868,049). A provision was created for receivables from various debtors. Impairment was identified for receivables from debtors overdue by more than 365 days as well as from other debtors (within maturity or overdue by up to 365 days) if such receivables were assessed as being at risk by management of the Company.

10. Reserves

Reserves	December 31, 2016	Creation	Usage	Cancelation	December 31, 2017
Long-term reserves due over 5 years					
Reserve for clients´benefits	71,325	-	8,679	-	62,646
Total long-term reserves	**71,325**	**-**	**8,679**	**-**	**62,646**
Short-term reserves due over 1 year					
					-
Total short-term reserves	**-**	**-**	**-**	**-**	**-**
Total	**71,325**	**-**	**8,679**	**-**	**62,646**

A financial reserve is created against a liability using an estimate corresponding to the cost of the account to which the liability would be booked. Clients of the LifeFlex product have, under certain terms and conditions of the agreed period of saving a right to a bonus. The Company has created financial reserves to the full amount of these bonuses, less a discount rate.

11. Other liabilities

Different creditors: for the purpose of Company records these are short term liabilities related to business activities, fees and commissions.

Other liabilities	December 31, 2017	December 31, 2016
Various creditors	244,536	377,943
Liabilities from provided loans (car loans)	-	-
Liabilities to employees	30,238	28,726
companies	18,926	21,635
Costs for future periods	-	15,416
Social fund	2,465	1,761
Tax obligation on value added tax	24,334	33,653
Tax from dependent activities	5,087	6,243
Other taxes and fees	398	390
Vacation pay including social security	38,017	34,738
Audit	3,850	3,750
Others	-	-
Total other liabilities	**367,851**	**524,255**

Liabilities as of December 31, 2017 according to remaining due date

Other liabilities according to remaining due date	Up to 1 year	more than 1 year and less than 5 years	Total
Various creditors	244,536		244,536
Liabilities against employees	30,238		30,238
Liabilities against Social Insurance and health insurance companies	18,926		18,926
Prepaid expenses	0		-
Social Fund	0	2,465	2,465
Value added tax	24,334		24,334
Tax on dependent activity	5,087		5,087
Other taxes and fees	398		398
Vacation pay	38,017		38,017
Audit	3,850		3,850
Total other liabilities	**365,386**	**2,465**	**367,851**

Age structure of various creditors as of December 31, 2017 is included in the following overview

Various creditors		
due	**overdue**	**Total**
199,808	44,728	**344,536**

All other liabilities are due in time.
The creation and use of the Social Fund during the accounting period are shown in the table below:

Social fund	December 31, 2017	December 31, 2016
Value to January 1st	1,761	1,243
Created against expenses	2,785	2,540
Usage	(2,081)	(2,022)
Status	**2,465**	**1,761**

One part of the Social Fund is under the Law on the Social Fund created against expenses and one part may be created from profits. Under the Social Fund Act, social funds are withdrawn in the form of a contribution for food vouchers equal to 10 % of the nominal value of a food voucher.

Statement of client assets

Clients' assets and liabilities are considered to be assets entrusted to a securities trader under the provision of investment services to clients and commitment to return the assets. The Company recorded the assets in off-balance sheet records.

Item	December 31, 2017	December 31, 2016
Clients' assets		
Clients' funds	11,756,264	10,415,841
Securities	163,703,080	132,278,536
Total clients' assets	**175,459,344**	**142,694,377**
Liabilities to clients of entrusted assets		
Liabilities to clients' funds	11,756,264	10,415,841
Liabilities to securities (portfolio management)	21,510,232	20,823,447
Liabilities from securities rating (custodianship)	142,192,848	111,455,089
Total liabilities to clients of entrusted property	**175,459,344**	**142,694,377**

12. Net income from fees and commissions

	December 31, 2017	December 31, 2016
Income from fees and commissions	**2,862,360**	**2,484,988**
Management of financial services	144,315	148,999
Portfolio management	2,503,323	2,102,821
Investment consultation	-	-
Other financial services	214,722	233,168
Costs of fees and commissions	**(590,387)**	**(606,330)**
services	(56,791)	(95,819)
Client bonuses	7,955	2,504
Other	(541,551)	(512,015)
Net income from fees and commissions	**2,271,973**	**1,879,658**

Income from fees and commissions by type of service and main territories are listed in the table below:

Period	December 31, 2017					December 31, 2016				
Type of service	Management of financial services	Portfolio management and custodianship	Investment consulting	Other financial services	Spolu	Management of financial services	Portfolio management and custodianship	Investment consulting	Other financial services	Spolu
Slovakia		128,.524		5,221	133,745	5,333	139,490		6,627	151,450
Luxemburg	134,696			209,501	344,197	127,927			226,541	354,468
Czech republic		323,477			323,477		203,150			203,150
United Kingdom	9,619	2,050,218			2,059,837	15,739	1,759,011			1,774,750
Cyprus										
Guernsey					0					0
Poland		1,104			1,104		1,170			1,170
Total	**144,215**	**2,503,323**		**214,722**	**2,862,360**	**148,999**	**2,102,821**	**0**	**233,168**	**2,484,988**

13. Net interest income

	December 31, 2017	December 31, 2016
Interest income and similar incomes	**34,460**	**34,566**
Interest from bank accounts and bank deposits	8	20
Interest from debt financial instruments	-	-
Loan interests	34,452	34,546
Interest cost and similar cost	**-**	**-**
Debit interest from bank accounts	-	-
Interest from financial car loan	-	-
Net interest income	**34,460**	**34,566**

14. Net profit/loss from financial instruments in real value calculated through profit and loss statement

	Profit 31.12.2017	Loss 31.12.2017	Net profit 31.12.2017	Profit 31.12.2016	Loss 31.12.2016	Net profit 31.12.2016
Net profit (loss) from financial instruments in real value calculated through profit and loss statement	45,014	46,184	(1,170)	24,089	37,432	(13,343)
Totoal	**45,014**	**46,184**	**(1,170)**	**24,089**	**37,432**	**(13,343)**

15. Net profit/loss from operations with foreign exchange and assets and liabilities valued in foreign currency

	Profit 31.12.2017	Loss 31.12.2017	Net profit 31.12.2017	Profit 31.12.2016	Loss 31.12.2016	Net profit 31.12.2016
Net profit/loss from operations with foreign exchange and assets and liabilities valued in foreign currency	59,266	90,461	(31,195)	53,032	107,029	(53,997)
Total	**59,266**	**90,461**	**(31,195)**	**53,032**	**107,029**	**(53,997)**

16. Administrative costs

	December 31, 2017	December 31, 2016
Payroll costs	**(707,223)**	**(643,398)**
Payroll costs	(511,485)	(466,841)
Social security costs	(174,197)	(158,355)
Other social costs	(21,541)	(18,202)
Amortization of tangible and intangible assets	**(3,518)**	**(3,573)**
Tangible fixed assets	(1,892)	(2,171)
Intangible Assets	(1,626)	(1,402)
Other administrative costs	**(1,287,201)**	**(1,276,010)**
Material usage	(18,129)	(14,160)
Car usage (petrol , material for cars)	(11,893)	(11,321)
Representatition expenses	(32,070)	(42,604)
Post and delivery services	(29,168)	(35,679)
Phones and internet	(11,650)	(11,673)
Rental of premises	(129,055)	(124,442)
Translation services	(18,631)	(16,850)
Computer services	(34,811)	(53,971)
Trainings	(277,169)	(427,689)
Tax and fees (except the income tax)	(1,337)	(1,007)
Marketing activities	(129,415)	(151,173)
Law consultancy	(39,106)	(52,202)
Software services	(18,064)	(21,056)
Audit	(13,950)	(13,450)
Marketing and administrative product support	(287,754)	(263,150)
Other administrative costs	(234,999)	(35,583)
Total	**(1,997,942)**	**(1,922,981)**

17. Other operational income / expenses

	December 31, 2017	December 31, 2016
Other operatitinal costs	**(14,262)**	**(23,575)**
Not applicable VAT (coefficient)	(6,390)	(6,213)
Insurance	(7,870)	(7,134)
Other	(2)	(10,228)
Other operational income	**400,013**	**366,632**
Operational income	324,069	304,980
Income from selling assets	74,782	60,652
Other	1,162	1,000

Operational income also includes income from the Konto života product, from data management of the WIOF, WPP and WSP funds, asset sales and other operational income.

18. Income tax

Income tax	Corporate tax base 2017	Tax 2017	Corporate tax base 2016	Tax 2016
Profit/ loss before tax	184,150	38,672	189,254	41,636
Deductible items	-79,467	-16,688	109,697	24,133
Attributable/added items	370,747	77,857	-143,982	-31,676
Tax loss amortization	-	-	-	-
	475,430	99,840	154,969	34,093
Deferred tax 21%(2016), 22%(2015)		(52,493)		(25,397)
Income tax total		47,347		59,490
Efective tax rate		**25.71%**		**31.43%**

19. Information on income and benefits of members of statutory bodies, supervisory authorities and other bodies of the accounting unit

Members of the statutory and supervisory bodies do not receive any income for membership. All income of members of statutory and supervisory bodies is derived from their work. These are as follows:

Gross income of members of the statutory and supervisory bodies arising from their labour relations		
	2017	2016
Board of Directors	27,537	4,194
Board of Supervisors	44,540	42,026
Total	**72,077**	**46,220**

20. Transactions with related parties

The mother company and the only shareholder of the Company is SFM Group International SA with its registered office at 20A rue des 3 Cantons, 8354 GARNICH.

a) Shareholder

Summary of shareholder balances in the Company's financial statement

(in Euro)	December 31, 2017	December 31, 2016
Assets		
Other Assets	607,326	524,462
Total	**607,326**	**524,462**
Liabilities		
Other Liabilities	14,516	15,042
Total	**14,516**	**15,042**

The Company reported a provision on the receivables against SFM Group International SA in the total amount of EUR607,299 (in 2016: EUR524,224).

During the accounting period the Company carried out thefollowing transactions with shareholders:

(in Euro)	December 31, 2017	December 31, 2016
Income from interest and similar earnings	-	-
Income from fees and commissions	83,076	72,962
Total	**83,076**	**72,962**

b) Other related parties

Summary of balances to other related parties in the Company's financial statement

(in Euro)	December 31, 2017	December 31, 2016
Assets		
Financial assets with real value calculated through profit and loss		
Other assets	673,492	639,040
Total	**673,492**	**639,040**
Liabiities		
Other Liabiities	78,643	10,220
Total	**78,643**	**10,220**

The Company carried out the following transactions with other related parties during the accounting period:

(in Euro)	December 31, 2017	December 31, 2016
Income from fees and commissions		
Costs of fees and commissions	(393,639)	(396,618)
Other administration costs	(192,860)	-
Interests on debt financial instruments	34,452	34,546
Other operational costs	-	
Other operational incomes	1,000	1,000
Total	**(358,187)**	**(362,072)**

21. Accurate values in accounting and reporting

The accurate and real value of assets is the amount of money for which an asset could be exchanged or paid for liability at usual price.

The estimated accurate values of financial assets and liabilities as of December 31, 2017 and December 31, 2016 correspond with their accounting value.

22. Average number of employees

Avarage number of employees	December 31, 2017	December 31, 2016
Avarage number of employees:	25	24
Managers	5	5

23. Information about events that occurred between the end of the financial year and the date the balance sheet was created

After December 31, 2017 no events occurred which significantly affected the fair presentation of facts relevant to the accounts.

24. Distribution of profit from 2016

Dstribution of profit from 2016	
Reserve fund	12,976
Retained earnings from previous years	116,787
Profit for 2015	**129,763**

25. Proposal of economic results for 2017

Proposal for distribution of profit from 2017	
Reserve fund	13,680
Retained earnings from previous years	123,123
Profit for 2016	**136,803**

26. Earning/loss per one share

The calculation of earnings per share is listed in the table below:

Earning/ loss per one share	December 31, 2017	December 31, 2016
Profit/ loss for the reported period	136,803	129,763
Average of shares during the year	4,500	4,500
Earning/ loss per one share	30	29

Risk control in the Company

Performing business activities requires a controlled undergoing of potential risks associated with it. The Company must therefore be able to effectively manage any risks as well as to have adequate capital to cover such risks.

The Company's risk management is carried out in accordance with the Act. 566/2001 (collection of Laws) on securities and investment services and other generally binding legal regulations governing risks and risk management system.

The purpose of risk management is to prevent potential losses from business risks by means of early identification, tracking, measurement and mitigation of risks. This system also serves as a basis for informing the board of the Company and the National Bank of Slovakia about the risk situation.

The main objective of risk management is to prevent Company losses and thereby contribute to ensuring achievement of the Company's long-term business goals, mainly to ensure profitability and competitiveness.
The Company is obliged to comply with the regulatory requirements of the NBS. These include limits and restrictions on capital adequacy and asset engagements. These requirements apply to all investment firms in Slovakia and their implementation is designed based on the reports that the Company submits in accordance with the regulations.

The Company defines and identifies risks in the following areas:

- credit risk,
- market risk,
- operational risk,
- liquidity risk.

Risk Management Strategy

Is a set of documents approved by the Board of Directors of the Company which includes the main objectives and principles used for risk management.

The Company's credit risk management strategy is:

- targets for credit risk management,
- acceptable level of credit risk
- acceptable level of risk to a single client, economically related group of clients, economic sectors, geographical areas and countries
- types of transactions and activities, which exposes the Company to credit risk,
- methods for measuring, monitoring and mitigation of credit risk
- types of limits that the Company will use to manage credit risk,
- sharing responsibility for managing credit risk.

The Company's market risk management strategy is:

- targets for market risk management,
- acceptable level of market risk;
- types of transactions and activities, which exposes the Company to market risk,
- methods for measuring, monitoring and mitigating market risk,
- types of limits which the Company will use for market risk management,
- sharing responsibility for managing market risk
- guidelines for classifying positions into the trading book.

The Company's operational risk management strategy is:

- targets for operational risk management,
- the base for identification and classification of operational risk events in accordance with the definition of operational risk
- definition of major sources of operational risk, which the Company is exposed to,
- methods of identification, estimation, tracking and reconciliation of operational risk,
- allocation of responsibilities for operational risk management.

Credit Risk

Credit Risk Management

The Company’s goal is to develop an appropriate system for the purpose of concluding transactions of credit risk management involving the trading of financial instruments, money market and capital market financial instruments, which have the potential for credit risk and in particular:

a) defining the types of financial instruments that can be traded with,
b) establishment of rules for closing of business transaction, cases in which a person can grant an exemption from the restrictions and cases where the employee may claim an exemption
c) a request for a written or audio record of the negotiation and conclusion of each transaction and also the requirement to store the records referred to in point. c) outside the organizational unit that closes the transaction, to prevent tampering at least for the duration of the obligation until its cessation.

For the purposes of credit risk management, internal regulations in accordance with the approved management strategy of credit risk include also:

a) competence for the conclusion and approval of various types of transactions that have the potential for credit risk, for the approvals of limits and also exceptions from approved limits and also procedures for exceeding these limits
b) a description of the method of cooperation and information flows between departments which carry out business activities, activities related to trading and dealing activities associated with managing credit risk,
c) procedure for the management of transactions giving rise to credit risk with the rules for the creation of resources covering the identified risk
d) the procedure for recovery of outstanding debts
e) the procedure for measurement of security
f) requirements for regular and detailed information about credit risk for the statutory body and other responsible staff
g) control activities at the conclusion of transactions and business activities.

The measurement of credit risk within the Company should comply mainly with the scale and complexity of the activities of Company and in particular:

a) provide for the measurement of credit risk in all transactions and activities in which credit risk has been identified
b) ensure that all transactions are recorded correctly and on time,
c) allow the identification of all significant sources of credit risk in assets and liabilities,
d) evaluate the impact of changes in risk factors on costs and revenues,
e) allow the measurement of credit risk using the method chosen in accordance with Company strategy,
f) permit the measurement of credit risk in individual businesses, groups of related parties, in individual portfolios, economic sectors, geographical areas and countries and currencies.

The main things which should be considered when choosing the method of measuring of credit risk are:

a) type of business and trading conditions,
b) the volume of business operations until it is paid,
c) the economic situation of the contracted party until the operation is paid.

In order to monitor credit risk, the Company will mainly ensure:

a) the setting of limits and monitoring positions
b) the limiting of the Company's internal compliance with all limits and regulations of secure business
c) a system of ongoing review of compliance with specified limits,
d) the establishment of rules and procedures in in cases where limits are exceeded and the authorization of exceptions to specified limits,
e) the responsible departments are informed when these limits are exceeded
f) monitoring the progress of the overall portfolio composition and quality appropriate to the scale and complexity of operations.

Company for the purposes of calculating the credit risk uses standardized approach. This means that the risk levels are assigned to the contracting party in accordance with the measure. Risk level depends on the perspective of rating agencies (ECAIs) on the contractual party.

Level of credit quality	1	2	3	4	5	6
Risk level	20%	50%	100%	100%	150%	150%

For the purposes of calculating risk measured exposures according to the standardized approach for credit risk, the Company assigns and determinesthe risk measured exposures to legal entities. Exposures to business entities for which a rating from a standard rating agency (ECAI) is available are assigned a risk measurement according to the attached table, which adheres to six levels of credit quality as is standard in recognised ratings agencies.

An overview of exposures is given in the table below:

Overview of the exposure values	Value of exposure to December 31, 2017
Exposures towards institutions	EUR755,693
Exposures to retail	EUR259,279
Exposures to companies	EUR1,294,628
Other exposures	EUR181,952
Total	**EUR2,491,498**

An overview of exposures according to risk importance is given in the table below:

Risk value	Value of exposure to December 31, 2017 (in Euro)
risk value 20%	755,639
risk value 100%	1,735,859
Total	**2,491,498**

Market risk

Market risk management

The establishment of an appropriate system of transactions in financial instruments in capital markets where there is a potential of market risk also includes:

a) defining the types of financial instruments which can be used for trading
b) establishment of rules for closing of transactions,
c) a request for a written or audio record of the negotiation and conclusion of each transaction,
d) the requirement to store the records referred to in point. c) outside the organizational unit that closes the transaction, to prevent tampering at least unil such time as the obligation ceases.

For the purposes of market risk management, internal regulations in accordance with the approved strategy of market risk management also include:

a) competence for the conclusion and approval of transactions in which there is a possibility of market risk,
b) the rules for classifying transactions in the trading book
c) procedures and competences for managing trading with financial instruments
d) the procedure for monitoring of prices in the trade and their comparison with market prices,
e) a description of cooperation and information flows between departments which carry out business activities, activities related to trading and activities associated with managing of market risk,
f) requirements for regular and detailed information about market risk for the statutory body and responsible employees
g) control activities for closing of businesses and other activities.

The measurement of market risk established inthe Company should correspond with the scale and complexity of the Company's activities, mainly:

a) provide the measurement of market risk in all the transactions and activities in which this risk has already been identified
b) record all entered transactions correctly and on time,
c) allow the identification of all significant sources of market risk in the Company's assets and liabilities,

d) evaluate the impact of changes in risk factors on costs and revenues,
e) allow the measurement of market risk by means of a method chosen in accordance with Company strategy,
f) permit the measurement of market risk in individual stores, groups of related parties, in individual portfolios, economic sectors, geographical areas and countries and currencies
g) ensure proper evaluation of positions,
h) enable the measurement of interest rate risk in each major currency.

In order to monitor market risk, the Company mainly ensures:

a) determination of a limit for market risk exposures and limits for each component of the market risk
b) the connection of internal limits of the Company with all limits and regulations of secure business making.
c) monitoring of all positions where the Company is exposed to market risk
d) establishment of a system of ongoing review of compliance with specified limits,
e) establish rules and procedures for exceeding limits and for the authorization of exceptions to those limits
f) the informing ofcompetent bodies of the degree of market risk and exceeding those limits.

For the purposes of calculating market risk, the Company decided to use the standardized method

Trading book positions are subject to market risk, i.e. :

- Positions in financial instruments or commodities held for trading for own account
- Long position in a financial instrument or commodity recorded in the trading book, the quantity of financial instruments or commodity for which the Company is either a creditor or owner.

	(in thousands of EUR)
Own resources as of December 31, 2017	**2,003**
Capital Tier 1	**2,003**
Own capital Tier 1	**2,003**
Capital instruments admissible as capital CET1	**1,494**
Paid-up capital instruments	**1,494**
Retained earnings	**391**
Permissible profit or loss	137
Retained earnings from previous years	254
Other reserves	**123**
Other intangible assets	**-5**
OVERALL RISK EXPOSURE VALUE as of December 31, 2017	**6,006**
THE VALUES OF RISK-WEIGHTED EXPOSURES FOR CREDIT RISK, CREDIT RISK OF COUNTERPARTY AND RISK OF REDUCTION OF THE QUALITY OF RECEIVABLES FOR OTHER THAN CREDIT REASONS AND FREE DELIVERY	1,887
Standardised approach (SA)	1,887
SA exposure classes without securitisation positions	1,887
Institutions	151
Business entities	1,295
Retail	259
Other items	182
OVERALL VALUE OF RISK EXPOSURES FOR POSITION, FOREIGN EXCHANGE AND COMMODITIES RISKS	785
The value of risk exposures for position, foreign exchange and commodities risks within standardised approaches (SA)	785
Foreign exchange	785
Additional value of risk exposures based on actual overhead costs	3,334
Shares and levels of capital as of December 31, 2017	
Item	Value
Share of capital CET1	0.3361
Surplus (+)/deficit (-) of capital CET1	1,735
Share of capital T1	0.3361
Surplus (+)/deficit (-) of capital T1	1,645
Total share of capital	0.3361
Surplus (+)/deficit (-) of total capital	1,526

	(in thousands of EUR)
Own resources as of December 31, 2016	**1,763**
Capital Tier 1	1,763
Own capital Tier 1	1,763
Capital instruments admissible as capital CET1	1,494
Paid-up capital instruments	1,494
Retained earnings	269
Retained earnings from previous years	269
OVERALL RISK EXPOSURE VALUE as of December 31, 2016	**2,587**
THE VALUES OF RISK-WEIGHTED EXPOSURES FOR CREDIT RISK, CREDIT RISK OF COUNTERPARTY AND RISK OF REDUCTION OF THE QUALITY OF RECEIVABLES FOR OTHER THAN CREDIT REASONS AND FREE DELIVERY	1,971
Standardised approach (SA)	1,971
SA exposure classes without securitisation positions	1,791
Institutions	107
Business entities	1,392
Retail	338
Other items	134
OVERALL VALUE OF RISK EXPOSURES FOR POSITION, FOREIGN EXCHANGE AND COMMODITIES RISKS	616
The value of risk exposures for position, foreign exchange and commodities risks within standardised approaches (SA)	616
Foreign exchange	616
Shares and levels of capital as of December 31, 2016	
Item	Value
Share of capital CET1	0.6799
Surplus (+)/deficit (-) of capital CET1	1,643
Share of capital T1	0.6799
Surplus (+)/deficit (-) of capital T1	1,604
Total share of capital	0.6799
Surplus (+)/deficit (-) of total capital	1,552

Foreign exchange risk

Financial assets and financial liabilities in foreign currency were as follows (calculated to December 31, 2017)

Assets and liabilities in foreign currency	CZK	Pounds	Polish Zloty	American dollar	Other	EURO	Total
Assets							
Cash and cash equivalents	203,517	163,041	3,311	105,408	216	289,926	765,419
Claims towards clients	29,322	128,073	117	87,623	-	14,144	259,279
Financial assets in real value calculated through profit and loss	-	117,390	-	74,080	-	309,880	501,350
Deferred tax assets	-	-	-	-	-	137,436	137,436
Other assets	27	29,135	-	11,651	-	789,586	830,399
Total	**232,866**	**437,639**	**3,428**	**278,762**	**216**	**1,540,972**	**2,493,883**
Liabilities							
Reserves	11,899	5,113	-	28,891	-	16,743	62,646
Liabilities - other	11,659	32,514	474	77,101	-	313,400	435,148
Total	**23,558**	**37,627**	**474**	**105,992**	**-**	**330,143**	**497,794**

Financial assets and financial liabilities in foreign currency were as follows (calculated to December 31, 2016):

Assets and liabilities in foreign currency	CZK	Pounds	Polish Zloty	American dollar	Other	EURO	Total
Assets							
Cash and cash equivalents	43,974	103,106	2,487	165,505	226	226,756	542,054
Claims towards clients	32,946	213,402	109	76,627	-	15,090	338,174
Financial assets in real value calculated through profit and loss	-	-	-	71,228	-	315,609	386,837
Deferred tax assets	-	-	-	-	-	84,943	84,943
Income tax						57,178	57,178
Other assets	224	39,071	-	13,988	-	998,455	1,051,738
Total	**77,144**	**355,579**	**2,596**	**327,348**	**226**	**1,698,031**	**2,460,924**
Liabilities							
Reserves	13,234	5,277	-	32,509	-	20,305	71,325
Liabilities - other	15,643	58,009	449	22,045	-	406,726	502,872
Total	**28,877**	**63,286**	**449**	**54,554**	**-**	**427,031**	**574,197**

Liquidity Risk

Distribution of balance sheet assets and liabilities into time bands according to maturity as of December 31, 2017

Distribution of balance sheet assets and liabilities into time bands according to maturity as of December 31, 2017 (in euro)						
	To 1 month	**From 1 month to 3 months**	**From 3 months to 12 months**	**From 1 year to 5 years**	**Not specified**	**Total**
Cash and equivalents	765,419	-	-	-	-	765,419
Claims to clients	259,279	-	-	-	-	259,279
Financial assets in real value calculated through profit and loss	501,350	-		-	-	501,350
Long term intangible assets	-	-	-	-	4,975	4,975
Long term tangible assets	-	-	-	-	7,394	7,394
Income tax	-	-	-	-	-	-
Deferred tax assets	-	-		-	137,436	137,436
Other Assets	797,106	-	-	-	33,293	830,399
Total assets	**2,323,154**	**-**	**-**	**-**	**183,098**	**2,506,252**
Reserves	-	-	-	-	62,646	62,646
Income tax	-	-	67,297	-	-	67,297
Other liabilities	257,019	66,498	41,869	-	2,465	367,851
Total liabilities	**257,019**	**66,498**	**109,166**	**-**	**65,111**	**497,794**

Distribution of balance sheet assets and liabilities into time bands according to maturity as of December 31, 2016

Distribution of balance sheet assets and liabilities into time bands according to maturity as of December 31, 2016 (in euro)						
	To 1 month	**From 1 month to 3 months**	**From 3 months to 12 months**	**From 1 year to 5 years**	**Not specified**	**Total**
Cash and equivalents	542,054	-	-	-	-	542,054
Claims to clients	338,174	-	-	-	-	338,174
Financial assets in real value calculated through profit and loss	386,837	-		-	-	386,837
Long term intangible assets	-	-	-	-	3,907	3,907
Long term tangible assets	-	-	-	-	2,404	2,404
Income tax	-	-	57,178	-	-	57,178
Deferred tax assets	-	-		-	84,943	84,943
Other Assets	564,341	277,999	176,105	-	33,293	1,051,738
Total assets	**1,831,406**	**277,999**	**233,283**	**-**	**124,547**	**2,467,235**
Provisions	-	-	-	-	71,325	71,325
Other liabilities	462,623	3,750	34,738	-	1,761	502,872
Total liabilities	**462,623**	**3,750**	**34,738**	**-**	**73,086**	**574,197**

Operational risk

Operational risk management

The identification of operational risk applies

a) in all kinds of businesses the Company is making
b) in all processes that are applied,
c) all information systems used.

For the purpose of managing operational risk an identification shall include the following:

a) definition of operational risk events observed by the Company
b) classification of operational risk events into groups designated by the Company in accordance with Company strategy.

For the purposes of operational risk management control there are internal regulations in accordance with the approved management strategy that also include:

a) establishing procedures for identifying sources of operational risk in transactions , key activities, processes and systems
b) breakdown of operational risk events and their classification,
c) the inclusion of monitoring and evaluation of operational risk in the performance of everyday activities in the Company
d) the procedure for the use of mitigating operational risk, particularly operational risk events with low frequency but potentially high financial losses for the Company,
e) developing policies and procedures for managing the risks associated with activities provided by contractors (outsourcing)
f) preparation of contingency plans for unexpected situations to ensure business continuity,
g) regular testing and review of contingency plans to match current business strategy of the Company
h) the manner of cooperation and exchange of information the departments which created operational risk and organisational units which assess the operational risk for the entire Company.

A forecasting system for management of operational risk will be implemented which:

a) corresponds to the scale and complexity of the Company and especially
b) allows regular monitoring of cases of losses connected with operational risk
c) allows identification of all sources of operational risk in businesses and activities and provides early warning of increased risk of future losses based on the number of indicators.

Operational risk can be estimated particularly from:

a) evaluation of processes and operations versus defined set of operational risk events monitored by Company
b) Operational risk mapping
c) monitoring indicators of operational risk, as the number of failed businesses, staff turnover rate, frequency and number of errors
d) measurement of operational risk, for example, by tracking the historical losses from operational risk events.

For the purposes of monitoring operational risk, the Company ensures in particular:

a) determination of operational risk indicators for early warning of increased risk of potential losses,
b) monitoring of operational risk events and losses that may result from these events,
c) to inform the competent departments of the degree of operational risk based on the prepared system of monitoring of operational risk and major events of operational risk.

For the purpose of mitigating operational risk, the Company undertakes to ensure:

a) the establishment of procedures for the selection of ways how the Company manages access to the identified risk
b) the delivery of regular reports on the Company's approach to the identified risk on the basis of the results of changes in the use of different approaches
c) that relevant responsible employees are regularly informed about the results of the Company's approach to operational risk,
d) safe, reliable and continuous operation of its information system, especially

  - developing an information system security policy, which sets targets for the security of the Company's information system, guiding principles and procedures to achieve them and ensure compliance with this policy,
  - creating an information security infrastructure which presents governing bodies and working groups, whose role is to manage and ensure the efficient level of information system security, data and information

- developing risk analysis of the information system, which is regularly reviewed,
- ensuring the protection of information systems against unauthorized access and damage and protect premises where data is processed , equipment and data itself,
- ensuring efficient, safe, reliable and continuous operation of processing equipment,
- ensuring access of different people to management data and information about the Company
- ensuring the identification and assessment of unauthorized activities in the information system
- ensuring continuity of information system operation in case of major failures and accidents and creation of a recovery plan and an information back-up system in case of accident.

The financial statements were prepared and signed on April 20, 2018.

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Signature of statutory body	Signature of the person responsible for preparation of financial statements	Signature of the person responsible for accounting

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