

SATPO Group B.V.
Amsterdam

Consolidated financial statements 2019 prepared in accordance with IFRS as adopted by the EU

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SATPO Group B.V.

Consolidated financial statements prepared in accordance with IFRS as adopted by the EU

SATPO Group B.V.

Consolidated financial statements for the year
ended 31 December 2019 prepared in accordance
with IFRS as adopted by the EU

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

In thousands of CZK

	Note	31 Dec 2019	31 Dec 2018
Revenue from contracts with customers	7	475 208	242 934
Rental income	8	18 454	18 153
Total revenue		493 662	261 087
Cost of sales		-293 107	-189 430
Changes in value of investment property	13	20 308	45 822
Change in inventory provision	18	-18 881	-8 575
Operating expenses	9	-93 766	-82 771
Other operating income	10	11 614	3 404
OPERATING PROFIT		119 830	29 537
Share of profit of associates		311	2 424
Finance income		1 419	0
Finance costs	11	-60 410	-51 503
PROFIT BEFORE TAX		61 150	-19 542
Income tax	12	-3 037	2 825
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME		58 113	-16 717
Profit/(loss) attributable to non-controlling interests		56 283	-3 552
Profit/(loss) attributable to the owners of the parent		1 830	-13 165

Consolidated statement of financial position

As at 31 December 2019

In thousands of CZK

	Note	31 Dec 2019	31 Dec 2018	1 Jan 2018
Non-current assets				
Investment property	13	678 112	765 824	640 526
Property, plant and equipment	14	70 134	69 328	72 357
Intangible assets	15	5 751	2 444	1 175
Investment in associates	16	2 430	12 207	3 000
TOTAL NON-CURRENT ASSETS		756 427	849 803	717 058
Current assets				
Inventories	18	470 072	508 671	405 445
Trade and other receivables	19	65 637	36 810	34 034
Cash and cash equivalents	20	110 271	78 134	150 924
TOTAL CURRENT ASSETS		645 980	623 615	590 403
TOTAL ASSETS		1 402 407	1 473 418	1 307 461
Equity				
Share capital + share premium	21	113 016	82 349	82 349
Reserves	21	-106 946	-93 509	-80 344
Equity attributable to the owners of the parent		6 070	-11 160	2 005
Non-controlling interests	22	98 883	42 601	46 153
TOTAL EQUITY		104 953	31 441	48 158
Non-current liabilities				
Issued bonds	23	516 840	512 760	508 680
Bank loans	23	28 710	385 551	206 423
Other long-term liabilities	24	68 905	90 698	88 868
Provisions	25	501	747	1 532
Deferred tax liability	17	27 745	33 055	36 977
TOTAL NON-CURRENT LIABILITIES		642 701	1 022 811	842 480
Current liabilities				

	Note	31 Dec 2019	31 Dec 2018	1 Jan 2018
Current portion of long-term borrowings	23	418 250	175 453	122 997
Trade and other payables	27	131 100	162 458	209 349
Other financial liabilities	24	18 340	28 183	25 759
Provisions	25	599	1 024	1 483
Contract liabilities	26	77 497	52 048	57 235
Current tax liability	12	8 966	0	0
TOTAL CURRENT LIABILITIES		654 752	419 166	416 823
TOTAL LIABILITIES		1 297 453	1 441 977	1 259 304
TOTAL EQUITY AND LIABILITIES		1 402 407	1 473 418	1 307 461

Consolidated statement of changes in equity

For the year ended 31 December 2019

In thousands of CZK

	Share Capital	Share premium	Reserves	Equity attributable to parent	Non controlling Interests	Total Equity
Equity at 1.1.2019	41 000	41 349	-93 508	-11 160	42 600	31 441
Capital increase		30 667	-15 268	15 399		15 399
Profit / (Loss)			1 830	1 830	56 283	58 113
Equity at 31.12.2019	41 000	72 016	-106 946	6 070	98 883	104 953
	Share Capital	Share premium	Reserves	Equity attributable to parent	Non controlling Interests	Total Equity
Equity at 1.1.2018	41 000	41 349	-80 344	2 005	46 153	48 158
Capital increase						
Profit / (Loss)			-13 165	-13 165	-3 552	-16 717
Equity at 31.12.2018	41 000	41 349	-93 509	-11 160	42 600	31 441

Consolidated statement of cash flows

For the year ended 31 December 2019

In thousands of CZK

	year 2019	year 2018
PROFIT FOR THE YEAR	1 830	-13 165
Adjustments for:		
Finance costs	60 410	51 503
Non-controlling interest	56 283	-3 552
Investment property revaluation gain/loss	-20 308	-45 822
Inventory provision	18 881	8 575
Depreciation	5 876	3 747
Income tax expense	3 037	-2 825
Other	-3 459	488
Operating cash-flows before movements in working capital	122 550	-1 051
Decrease / (Increase) in inventories	19 718	-111 802
Decrease / (Increase) in trade and other receivables	-28 826	-11 068
Increase / (Decrease) in trade and other payables	-50 362	-38 501
Increase / (Decrease) in contract liabilities	25 449	-5 187
CASH GENERATED BY OPERATIONS	88 529	-167 609
Income taxes paid	617	-1 097
NET CASH FROM OPERATING ACTIVITIES	89 146	-168 706

Investing activities

	year 2019	year 2018
Proceeds on disposal of property, plant and equipment	249 848	14 497
Purchases of investment property	-132 051	-103 181
Purchases of property, plant and equipment	-3 436	441
Purchases of intangible assets	-6 553	-1 983
	-	-
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	107 808	-90 670
Financing activities		
Interest paid	-56 330	-47 423
Proceeds and repayments from bonds	-	-
Proceeds and repayments from loans	-108 487	234 008
Changes in equity	0	0
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	-164 817	186 585
Net increase/(decrease) in cash and cash equivalents		
	32 137	-72 790
Cash and cash equivalents at beginning of year	78 134	150 924
Effect of foreign exchange rate changes	-	-
Cash and cash equivalents at end of year	110 271	78 134

Notes to the consolidated financial statements

1. General information

SATPO Group B.V. (the Company) is a company limited by shares incorporated and registered in the Netherlands. Its ultimate controlling party is Mr. Jiří Pokorný. The Company itself had no employees in 2019 as well as in 2018. The average number of employees working for the Group amounted to 38 (2018: 35). The address of the Company's registered office is Barbara Strozilaan 201, 1083HN Amsterdam, Netherlands. The Company is filed with the Trade Register at the Chamber of Commerce under number 34243136. The activities of the Company and its group companies primarily consist of:

- Construction of luxury flats in Prague;
- Acquisition of ideal shares in apartment buildings, joining shares and subsequent sale of apartments;
- Acquisition of leased real estate and its rent; and
- Investments in land plots for future development

These financial statements are presented in Czech Koruna (CZK) and are rounded to the nearest thousands of CZK.

SATPO Group B.V. does not have an obligation to prepare statutory consolidated financial statements for the year ended 31 December 2019 and to have them audited. As such, these financial statements are not statutory financial statements.

SATPO Group B.V. already prepared consolidated financial statements in accordance with IFRS as adopted by the EU as of 31 December 2020. Afterwards, in connection with the bond emission planned in December 2021, SATPO Group is required by the regulator to file the consolidated financial statements prepared in accordance with IFRS as adopted by the EU as of 31 December 2019. These consolidated financial statements as of 31 December 2019 are prepared as the first-time adoption of IFRS by EU in accordance with IFRS 1, with the date of the first adoption being 1 January 2018.

2. Adoption of new and revised Standards

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new standard and amendments to the existing standards that have been issued by the IASB but are not yet effective:

Standard	Topic	Effective	EU adopted?
Amendments to IFRS 3	Reference to the Conceptual Framework	01.01.2022	No
Amendments to IFRS 4	Extension of the Temporary Exemption from Applying IFRS 9	01.01.2021	Yes
Amendments to IFRS 9, IAS 39, IFRS 4, IFRS 7 and IFRS 16	Interest Rate Benchmark Reform – Phase 2	01.01.2021	Yes
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	effective date deferred indefinitely	No
Amendments to IFRS 16	COVID 19-Related Rent Concessions beyond 30 June 2021	01.04.2021	No
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current and Classification of Liabilities as Current or Non-current – Deferral of Effective Date	01.01.2023	No
Amendments to IAS 1	Disclosure of Accounting Policies	01.01.2023	No
Amendments to IAS 8	Definition of Accounting Estimates	01.01.2023	No
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01.01.2023	No
Amendments to IAS 16	Proceeds before Intended Use	01.01.2022	No
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract	01.01.2022	No
Annual Improvements to IFRS Standards	Cycle 2018–2020 – the narrow scope amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41	01.01.2022	No

The directors do not expect that the adoption of the new standard and amendments to the existing standards listed above will have a material impact on the financial statements of the Group in future periods.

3. Significant accounting policies

3.1 Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

The financial statements have been prepared on the historical cost basis, except for the revaluation of investment property that is measured at fair value at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

The principal accounting policies adopted are set out below.

3.2 Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Despite the uncertainties regarding the spread of the COVID-19 pandemic, based on an assessment of all currently available information, the Company believes that the going concern assumption is not compromised and therefore the use of this assumption for the preparation of the financial statements is appropriate and there is currently no significant uncertainty regarding this assumption.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation are initially measured at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss is attributed to the owners of the Company and to the non-controlling interests.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognized in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognized in profit or loss.

3.6 Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate or a joint venture is recognized initially in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture.

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3.7 Revenue recognition

Sale of properties

Revenues are mainly derived from construction and subsequent sale of residential properties and sales of land plots, buildings and apartments classified as investment property.

Revenue from sale is recognized at point in time when control of the assets has passed to the buyer which is generally the date at which the application of ownership transfer is submitted to the Land Registry. Revenue is measured at the amount to which the Group is entitled, net of trade discounts and adjusted for the effect of significant financing component on contract liabilities.

The Group becomes entitled to invoice customers for the sale of residential properties based on achieving a series of performance-related milestones. When a particular milestone is reached, the customer is sent an invoice for the related milestone payment. As the revenue is recognized at point in time when the customer takes control of the property, the payments from the milestones are recognized as contract liability which is adjusted, as time passes, for the effect of significant financing component. These payments can be variable based on the construction time.

3.8 Leases

The Group as lessee

The Group does not present any material contract where it would be in the position of lessee.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to its investment properties. The leases are classified as operating leases as the terms of the lease does not transfer substantially all the risks and rewards of ownership.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. When the Group provides incentives to its tenants of commercial premises, the cost of incentives are recognized over the lease term, on a straight-line basis, as a reduction of rental income. No incentives are provided to the tenants of residential units.

3.9 Foreign currencies

In preparing the financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions. The Group's functional currency is the Czech Koruna (CZK). At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise.

3.10 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying real estate assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.11 Employee benefits

A liability is recognized for benefits accruing to employees in respect of wages and salaries, annual leave, and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

The Group does not provide any long-term employee benefits.

3.12 Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognized if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.13 Property, plant and equipment

Land, buildings and equipment held for administrative purposes are stated in the statement of financial position at their cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognized so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method:

Buildings	Useful life 30 years
Equipment	Useful life of 3 to 5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

3.14 Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

3.15 Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives.

The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The Group's classes of intangible assets with respective useful life are as follows:

Software

Useful life 3 years

3.16 Impairment of property, plant and equipment and intangible assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3.17 Inventories

Inventory comprises Construction in progress and Finished construction. These are related to projects intended to be developed and sold in the regular operating cycle of the Group. The cost of development projects comprises construction costs and other direct cost related to property development and borrowing costs.

Construction costs and other direct costs, including borrowing costs, are classified as Construction in progress during the construction. The project is transferred from Construction in progress to Finished construction upon acquisition of the occupancy permit.

Inventories are stated at the lower of cost and net realizable value and appropriate provisions to net realizable value are create at the balance sheet date.

3.18 Financial instruments

Financial assets and financial liabilities are recognized in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

The Group's financial assets are limited to short-term trade and other receivables and therefore, all recognized financial assets are measured subsequently at amortized cost.

Impairment of financial assets

The Group recognizes expected credit losses (ECL) on trade receivables. The amount of expected credit losses is updated at each reporting date and is estimated based on the Group's historical management experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Equity instruments

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

Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

As the Group has financial liabilities with nominal interest rate of 0% (e.g. shareholder loan or advances from customers) measurement at amortized cost using the effective interest method is applied. As a result reported value of these financial liabilities are different to their nominal values.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3.19 Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Group's obligation.

3.20 Contingencies and commitments

A contingent Liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation.

4. Critical accounting judgements and key sources of estimation uncertainty

In applying the Group's accounting policies, which are described in note 3, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

Classification between Investment property and Inventories

Real estate assets of the Group are classified either as investment property or inventories in accordance with standards IAS 40 and IAS 2. Based on policy established by the Group are Real estate assets generating rent or acquired with the outlook for capital appreciation classified as investment property and measured at fair value, with exception for assets where fair value cannot be measured reliably. Land plots and real estate assets with clear plan to execute development activities (typically evidenced by zoning permit) are classified as inventories and measured at cost. Directors review classification of real estate assets at each balance sheet date.

Fair value measurement of investment property

Fair value of investment property represents significant judgment made by Group directors. Fair value is determined in accordance with IFRS 13 based on valuation report prepared by independent certified appraiser. Directors review valuation of investment properties at each balance sheet date and make sure that outcome of valuation at 31.12.2019 and 31.12.2018 and 1.1.2018 are consistent and comparable.

Acquisition of assets vs. business combination

Typical acquisitions of the Group are individual real estate assets or legal entities holding real estate asset(s). As common in the industry similar SPV entities do not meet definition of business per IFRS 3 and therefore purchase price is fully allocated to real estate asset and related deferred tax liability without any goodwill recognized. However, every transaction is evaluated by company directors individually.

Deferred taxation on investment properties

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale.

Classification of debt vs equity instruments

Based on detailed review of shareholders agreement in City Home Invest III directors decided to report separately equity and debt component in relation to minority shareholders. Separate presentation of equity as Non-controlling interest and liability gives appropriate presentation to relationship of Minority shareholders in relation to SATPO Group.

Revaluation of financial liabilities with zero nominal interest rate

There were identified two types of liabilities with zero nominal interest rate. Advances for purchase of flats and shareholder loan were accordingly discounted as of 31.12.2019, 31.12.2018 and 1.1.2018 using judgmentally determined interest rates of 5,0% and 13,5%. Interest rates represent significant judgment made by the Group directors.

Valuation of accounts receivable

The Group recognizes expected credit losses (ECL) on trade receivables. The amount of expected credit losses is updated at each reporting date and is estimated based on the Group's historical management experience, adjusted for factors that are specific to the debtors, general economic conditions, and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Fair value measurements and valuation processes

The Group's investment properties are measured at fair value for financial reporting purposes. The board of directors of the Company has set up a valuation committee, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation committee's findings to the board of directors of the Company every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities.

The valuations are particularly sensitive to changes in one or more unobservable inputs which are considered reasonably possible within the next financial year. Further information on the carrying amounts of these assets and the sensitivity of those amounts to changes in unobservable inputs are provided in note 13.

5. First-time adoption of IFRS

SATPO Group B.V. already prepared consolidated financial statements in accordance with IFRS as adopted by EU as of 31 December 2020. Afterwards, in connection with bond emission planned in December 2021 is SATPO Group required by regulator to file consolidated financial statements prepared in accordance with IFRS as adopted by EU as of 31 December 2019. These consolidated financial statements as of 31 December 2019 are prepared as the first time adoption of IFRS by EU in accordance with IFRS 1 with the date of first adoption as of 1 January 2018.

The accounting policies set out in note 3 have been applied in preparing the financial statements for all periods. The last consolidated financial statements prepared under a specific set of accounting policies were for the period ended 31 December 2019. The date of transition to IFRS for the Group is 1 January 2018. The majority of companies of the Group maintains their accounting records under Czech Accounting Standards ("CAS" hereinafter). CAS principles and procedures may differ from those generally accepted under IFRS EU. Accordingly, the consolidated financial statements, which have been prepared from the Group entities' CAS records, reflect adjustments necessary for such financial statements to be presented in accordance with IFRS EU.

IFRS 1, First-time Adoption of International Financial Reporting Standards, sets out the transitional rules for when IFRS are applied for the first time. The Group is required to select accounting policies in accordance with IFRS valid at its first IFRS reporting date and apply those policies retrospectively. The standard sets out certain mandatory exceptions to retrospective application and certain optional exemptions. The Group did not elect to use any optional exemptions.

Reconciliation from the previously reported equity to equity under IFRS

	Note	31 Dec 2019	31 Jan 2018	1 Jan 2018
Total equity under the previous accounting principles	Note	159 476	60 596	56 361
Adjustments to equity to conform with IFRS				
Warranty provision	i	-1 101	-1 771	-3 014
Compound financial instrument in City Home Invest III	ii	-46 103	-40 548	-35 662
Reclassification to investment property	iii			
Internally developed software	iv	5 751	2 444	1 175
Significant financing component on contracts with customers	v	-9 771	-6 084	-2 166
Interest-free loan from shareholders	vi	6 176	26 276	32 644
Provision to receivables based on ECL model	vii	-9 473	-9 473	-1 180
Total equity under IFRS		104 955	31 440	48 158

**Reconciliation from the previously reported
Profit/Loss to the Profit/Loss under IFRS**

	Note	31 Dec 2019	31 Dec 2018
Profit for the year under the previous accounting principles		69 259	4 246
Adjustments to the profit to conform with IFRS			
Warranty provision	i	669	1 243
Compound financial instrument in City Home Invest III	ii	-5 555	-4 886
Reclassification to investment property	iii	-	-
Internally developed software	iv	3 286	1 242
Significant financing component on contracts with customers	v	-3 688	-3 917
Interest-free loan from shareholders	vi	-5 858	-6 352
Provision to receivables based on ECL model	vii	-	-8 293
Profit for the year under IFRS		58 113	-16 717

Adjustments made under IFRS

Below is a summary of the adjustments made to convert the Group results from previously reported amounts to IFRS:

- i. Warranty provision represents management estimate of liability related to possible claims of customers resulting from recent sales of finished flats.
- ii. Relationship between Group and other shareholders investing in City Home Invest III is hybrid and involves both equity component (NCI) and liability.
- iii. Building used by administration of SATPO Group in Prague (Holeckova 35) is newly split in part representing Property Plant & Equipment and rented part representing Investment property.
- iv. Group classified costs related to developed software as intangible assets and adjusted previously reported balances
- v. Discounting advances for flats representing financing liability with zero nominal interest rate
- vi. Discounting shareholder financing liability with zero nominal interest rate.
- vii. Application of ECL model on portfolio of receivables leads to increased provision to receivables.

6. Composition of the Group

SATPO Group B.V. is the parent of a group of legal entities. The financial information of the company has been recorded in the consolidated financial statements of Holding SATPO Group B.V. Financial statements of subsidiaries are available at the Trade Register at the Chamber of Commerce in Czech Republic.

Information about the composition of the Group at the end of the reporting period as at 31.12.2019 is as follows:

Name of the entity 2019	ID number	Country of incorporation	% share in company	Note on changes
ASOBARI s.r.o.	08285713	Czech Republic	100	
City Home Development, s.r.o.	01976184	Czech Republic	100	
City Home Group, s.r.o.	01384147	Czech Republic	100	
City Home Invest II, s.r.o.	04527828	Czech Republic	100	
City Home Invest III, s.r.o.	04548817	Czech Republic	50	Controlled by Group
City Home Invest IV, s.r.o.	05249902	Czech Republic	100	
City Home Invest Ltd.	C71935	Malta	51	Sale of 49% share Controlled by Group
City Home reality, s.r.o.	06981666	Czech Republic	100	
COSMOPOL - Charlé, spol. s r.o.	60751029	Czech Republic	100	
Ďáblická 55, s.r.o.	06658946	Czech Republic	50	Associate
Danburite s.r.o.	07074743	Czech Republic	100	
Dvorecké náměstí 2, s.r.o.	06309658	Czech Republic	100	
Cheinpink s.r.o.	07071035	Czech Republic	100	
Jeseniova, s.r.o.	24275271	Czech Republic	100	
JIMAST Tichá s.r.o.	07922469	Czech Republic	100	
KETTNER CONSULTANTS LTD.	CY10180514S	Cyprus	10	
Korunní 73, s.r.o.	04527348	Czech Republic	100	
LiloonCorp s.r.o.	07070721	Czech Republic	100	
Nad Malým mýtem 10, s.r.o.	07069871	Czech Republic	100	
Orthoclase s.r.o.	07151560	Czech Republic	100	
Pardelone s.r.o.	08196036	Czech Republic	100	
Ridenant s.r.o.	07209274	Czech Republic	100	
Ruská 86, s.r.o.	07140444	Czech Republic	100	
Saltplex s.r.o.	06994377	Czech Republic	100	
SATPO consult, s.r.o.	28374304	Czech Republic	100	
SATPO CZ, a.s.	28416520	Czech Republic	100	
SATPO Group B.V.	34243136	the Netherlands	100	
SATPO interiors, s.r.o.	28205537	Czech Republic	100	
SATPO JV, a.s.	26434407	Czech Republic	100	
SATPO Laurová, s.r.o.	03933911	Czech Republic	100	
SATPO management, s.r.o.	27650723	Czech Republic	100	
SATPO Rent, s.r.o.	27650570	Czech Republic	100	
SATPO Rezidence, a.s.	01556169	Czech Republic	100	
SATPO Sacre Coeur II, s.r.o.	27151751	Czech Republic	100	
SATPO Sacre Coeur III, s.r.o.	24258156	Czech Republic	100	

Name of the entity 2019	ID number	Country of incorporation	% share in company	Note on changes
SATPO Sacre Coeur IV, s.r.o.	26741962	Czech Republic	100	
SATPO Viničná, s.r.o.	03868010	Czech Republic	100	
Smart mind s.r.o.	04899288	Czech Republic	100	

Information about the composition of the Group at the end of the reporting period as at 31.12.2018 is as follows:

Name of the entity 2018	ID number	Country of incorporation	% share in company	Note on changes
Basican Line, s.r.o.	07069740	Czech Republic	100	
City Home Development, s.r.o.	01976184	Czech Republic	100	
City Home Group, s.r.o.	01384147	Czech Republic	100	
City Home Invest II, s.r.o.	04527828	Czech Republic	100	
City Home Invest III, s.r.o.	04548817	Czech Republic	50	Controlled by Group
City Home Invest IV, s.r.o.	05249902	Czech Republic	100	
City Home Invest Ltd.	C71935	Malta	100	
City Home reality, s.r.o.	06981666	Czech Republic	100	
Ďáblická 55, s.r.o.	06658946	Czech Republic	50	Associate
Danburite s.r.o.	07074743	Czech Republic	100	
Dvorecké náměstí 2, s.r.o.	06309658	Czech Republic	100	
Cheinpink s.r.o.	07071035	Czech Republic	100	
Jeseniova, s.r.o.	24275271	Czech Republic	100	
KETTNER CONSULTANTS LTD.	CY10180514S	Cyprus	10	
Korunní 73, s.r.o.	04527348	Czech Republic	100	
LiloonCorp s.r.o.	07070721	Czech Republic	100	
Nad Malým mýtem 10, s.r.o.	07069871	Czech Republic	100	
Orthoclase s.r.o.	07151560	Czech Republic	100	
Ruská 86, s.r.o.	07140444	Czech Republic	100	
Saltplex s.r.o.	06994377	Czech Republic	100	
SATPO consult, s.r.o.	28374304	Czech Republic	100	
SATPO CZ, a.s.	28416520	Czech Republic	100	
SATPO Group B.V.	34243136	the Netherlands	100	
SATPO interiors, s.r.o.	28205537	Czech Republic	100	
SATPO JV, a.s.	26434407	Czech Republic	100	
SATPO Laurová, s.r.o.	03933911	Czech Republic	100	
SATPO management, s.r.o.	27650723	Czech Republic	100	
SATPO Rent, s.r.o.	27650570	Czech Republic	100	
SATPO Rezidence, a.s.	01556169	Czech Republic	100	
SATPO Sacre Coeur II, s.r.o.	27151751	Czech Republic	100	
SATPO Sacre Coeur III, s.r.o.	24258156	Czech Republic	100	
SATPO Sacre Coeur IV, s.r.o.	26741962	Czech Republic	100	
SATPO Viničná, s.r.o.	03868010	Czech Republic	100	
Smart mind s.r.o.	04899288	Czech Republic	100	
Tichá 5, s.r.o.	06995233	Czech Republic	100	

Control over Subsidiary with ownership less than 100%

The directors of the Group assessed requirements of IFRS 10 whether or not the Group has control over the subsidiaries which are not fully owned, based on whether the Group has the practical ability to direct the relevant activities of these subsidiaries unilaterally. In making their judgement, the directors considered position, roles and rights of individual shareholders and provisions of the shareholders agreements. After assessment, the directors concluded that the Group has sufficient interest to direct the relevant activities and therefore the Group has control over the subsidiaries which are not fully owned.

Consolidation of entities under common control

After assessment, the Group considers that, based on agreements concluded between SATPO Group and Kettner Consultant, SATPO Group is able to direct the relevant activities and therefore controlled Kettner Consultants already as of 31.12.2019 and 31.12.2018 even though share was 10%.

7. Revenue

The Group derives its revenue from contracts with customers for the transfer of goods at point in time.

	31/12/2019	31/12/2018
Sales of inventory units	53 880	60 793
Sales of Investment property	165 501	165 698
Sales of land plots	249 869	14 497
Other sales	5 958	1 946
Total	475 208	242 934

8. Rent income

Revenue from rent is recognized as income on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of incentives is recognized over the lease term, on a straight-line basis, as a reduction of rental income.

The group has entered into operating leases on its investment property consisting of offices, one obsolete commercial building that is to be demolished and tenement houses as a secondary business activity. The group uses 80% percent of office spaces for its internal needs and leases 20% of its office spaces to third parties. These office leases have terms of between 1 and 5 years. The leases of commercial building have term of 1 year with prolongation options. The commercial building will be demolished in 2 years after obtaining the necessary permits and replaced by a new polyfunctional building. The leases of apartments in tenement houses have mostly term of one year or are concluded for an indefinite period. It changes year to year.

The lessee does not have an option to purchase the property at the expiry of the lease period.

The unguaranteed residual values do not represent a significant risk for the Group, as they relate to property which is located in a location with a constant increase in value.

Yearly rent income (excluding income from services relating to the rent income) from third parties is approximately CZK 18.6 mio.

9. Operating expenses

	31/12/2019	31/12/2018
Salaries and remuneration	33 996	25 969
IT services	8 240	5 925
Tax advisory and Audit	4 693	2 327
Legal services and advisory	4 972	5 279
Marketing costs	5 368	307
Expenses relating to the rent income	7 124	1 441
Miscellaneous services	17 129	14 563
Contractual penalty	-	5 234
Provisions to receivables	-	8 293
Other operating expenses	12 244	13 433
Total	93 766	82 771

10. Other operating income

	31/12/2019	31/12/2018
Other operating income	11 614	3 404
Total	11 614	3 404

11. Finance costs

Borrowing costs represent interest from bonds, bank loans, borrowings, shareholder loan and advances representing financing of residential development.

	31/12/2019	31/12/2018
Interest from bonds	36 630	27 103
Interest from loans	7 283	9 246
Interest-free loan from shareholder	5 858	6 351
Advances received from customers	5 084	3 917
Reclassification of NCI from equity to loans	5 555	4 886
Total finance costs	60 410	51 503

12. Income Tax

The charge for the year can be reconciled to the profit before tax as follows:

	31/12/2019	31/12/2018
Profit/(loss) before tax	61 150	-19 542
Tax at the weighted average corporation tax rate (2019: 19%; 2018: 19%)	11 618	-3 713
Tax effect of expenses that are not deductible or income not taxable in determining taxable profit	-8 581	888
Effect of different tax rates of subsidiaries operating in other jurisdictions	0	0
Tax expense for the year	3 037	-2 825

Tax expense for the year consist of:

	31/12/2019	31/12/2018
	In thousands of CZK	In thousands of CZK
Current tax	8 347	1 097
Deferred tax	-5 310	-3 922
	3 037	-2 825

The Group used tax losses in the amount of CZK 14 043 thousand (2018: CZK 2 200 thousand) to offset payable income tax.

For information about unrecognized tax losses, please, see chapter 17.

13. Investment property

	Real estate investments	Tenement houses shares	Total
Fair value	Thousands CZK	Thousands CZK	Thousands CZK
At 1 January 2018	313 001	327 525	640 526
Additions	250 531	117	250 648
Disposals	-171 172	-	-171 172
Increase in fair value during the year	45 822	-	45 822
At 31 December 2018	438 182	327 642	765 824

	Real estate investments	Tenement houses shares	Total
Additions	43 354	16 878	60 232
Disposals	-168 252	-	-168 252
Increase in fair value during the year	-40 837	61 145	20 308
At 31 December 2019	272 447	405 665	678 112

The fair value of Group's investment property at 31 December 2019 and at 31 December 2018 has been arrived at on the basis of internal valuation model. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

Market comparisons were performed using Transaction Price Map, database covering transaction prices of residential real estate transactions in Prague.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The fair value measurement for all the investment properties has been categorized as a Level 3 fair value.

Category	Subcategory	Valuation technique	Valuation description
Development projects	Residential units and parking spaces	Residual valuation with market approach to calculate the GDV	Residual calculation works backwards by envisaging a completed development and ascribing a capital value to it, which is referred to as the gross development value (GDV). The GDV value is calculated using the market approach based on the comparable projects.
	Commercial units	Residual valuation with income approach to calculate the GDV	The GDV for commercial units is calculated based on the income approach, specifically direct capitalization method, which was based on comparable evidence of leasing listings we have assess the Net Operating Income (NOI) from the Estimated Market Rental Value (EMRV) of the unit, which we have capitalized into perpetuity.
Tenement houses	Residential units	Market approach	For the valuation of residential units, we have used the market approach using the market transaction price model adjusted for unit-specific characteristics using the hedonic price model.
	Parking spaces	Market approach	Parking spaces was valued based on the comparable evidence of offer listings.

Category	Subcategory	Valuation technique	Valuation description
	Commercial units	Income approach	The commercial units is calculated based on the income approach, specifically direct capitalization method, which was based on comparable evidence of leasing listings we have assess the Net Operating Income (NOI) from the Estimated Market Rental Value (EMRV) of the unit, which we have capitalized into perpetuity.
	Attic	Residual valuation with market approach	Residual calculation works backwards by envisaging a completed development and ascribing a capital value to it, which is referred to as the gross development value (GDV). The GDV value was calculated based on the market approach using the market transaction price model adjusted for unit-specific characteristics using the hedonic price model.
	Residential units	Market approach	For the valuation of residential units, we have used the market approach using the market transaction price model adjusted for unit-specific characteristics using the hedonic price model.
	Parking spaces	Market approach	Parking spaces was valued based on the comparable evidence of offer listings.
	Commercial units	Income approach	The commercial units is calculated based on the income approach, specifically direct capitalization method, which was based on comparable evidence of leasing listings we have assess the Net Operating Income (NOI) from the Estimated Market Rental Value (EMRV) of the unit, which we have capitalized into perpetuity.
Shares in tenement houses	Attic	Residual valuation with market approach	Residual calculation works backwards by envisaging a completed development and ascribing a capital value to it, which is referred to as the gross development value (GDV). The GDV value was calculated based on the market approach using the market transaction price model adjusted for unit-specific characteristics using the hedonic price model.
Development land plots	Štverákova	Residual valuation with market approach	Residual calculation works backwards by envisaging a completed development and ascribing a capital value to it, which

Category	Subcategory	Valuation technique	Valuation description
			is referred to as the gross development value (GDV). The GDV value was calculated based on the market approach using the comparable evidence of offer listings.
	Budějovická	Market approach	For the valuation Budějovická, we have used the market approach using the comparable transaction from the last years from cadastral register.
	Modřanská	Market approach	The valuation of Modřanská was based on the market approach using the comparable evidence of offer listings.
SATPO rent		Income approach	We have employed the income approach, specifically the Term/Reversion method. The Term value is based on the current lease agreements and to determine the Reversion value we have applied the Estimated market rental values (EMRV). In order to calculate the fair value of the property, we have capitalized the generated net income.

The Group has pledged some of its investment property to secure general banking facilities granted to the Group.

14. Property, plant, and equipment

	Buildings Thousands CZK	Land Thousands CZK	Equipment Thousands CZK	Total Thousands CZK
At cost				
At 1 January 2018	66 736	3 542	4 907	75 185
Additions	222			222
Disposals			-222	-222
Transferred to investment property	-441			-441
At 31 December 2018	66 517	3 542	4 685	74 744
Additions	3 604		101	3 705
Disposals				
Transferred from investment property	-269			-269
At 31 December 2019	69 852	3 542	4 786	78 180
Accumulated depreciation and impairment				
At 1 January 2018	120		2 708	2 828

	Buildings	Land	Equipment	Total
Charge for the year	1 979		609	2 588
At 31 December 2018	2 099		3 317	5 416
Charge for the year	2 208		422	2 630
At 31 December 2019	4 307	0	3 739	8 046
Carrying amount				
At 31 December 2019	65 545	3 542	1 047	70 134
At 31 December 2018	64 418	3 542	1 368	69 328
At 1 January 2018	66 616	3 542	2 199	72 357

Assets pledged as security. For information about assets pledged as security, please, see chapter 23. Borrowings.

15. Intangible assets

	Software	Others	Total
	Thousands CZK	Thousands CZK	Thousands CZK
Cost			
At 1 January 2018	5 771	0	5 771
Additions	2 427	0	2 427
At 31 December 2018	8 198	0	8 198
Additions	6 553	0	6 553
At 31 December 2019	14 751	0	14 751
Amortization			
At 1 January 2018	4 596	0	4 596
Charge for the year	1 158	0	1 158
At 31 December 2018	5 754	0	5 754
Charge for the year	3 246	0	3 246
At 31 December 2019	9 000	0	9 000
Carrying amount			
At 1 January 2018	1 175	0	1 175
At 31 December 2018	2 444	0	2 444
At 31 December 2019	5 751	0	5 751

No intangible assets are pledged as securities.

16. Investments in Associates

Details of material associates

Details of each of the Group's material associates at the end of the reporting period are as follows:

Name of associate	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest and voting rights held by the Group	
			31/12/2019	31/12/2018
Ďáblická 55, s.r.o.	Real estate investments	Czech Republic	50%	50%

All of the above associates are accounted for using the equity method in these consolidated financial statements as set out in the Group's accounting policies in note 3.

17. Deferred tax

The following are the major deferred tax liabilities and assets recognized by the Group and movements thereon during the current and prior reporting period.

	Provisions	Revaluation of Investment property	Tax losses	Total
	Thousands CZK	Thousands CZK	Thousands CZK	Thousands CZK
At 1 January 2018	0	-43 003	6 027	-36 977
Charge to profit or loss	0	4 889	-968	3 921
At 1 January 2019	0	-38 114	5 059	-33 055
Charge to profit or loss	0	-5 420	10 730	5 310
At 31 December 2019	0	-43 534	15 789	-27 745

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	31/12/2019	31/12/2018
	In thousands of CZK	In thousands of CZK
Deferred tax liabilities	-43 534	-38 114
Deferred tax assets	15 789	5 059
	<u>-27 745</u>	<u>-33 055</u>

At the reporting date, the Group has unused tax losses of CZK 300 432 thousand (2018: CZK 277 649 thousand) available for offset against future profits. A deferred tax asset has been recognized in respect of CZK 83 100 thousand (2018: CZK 26 626 thousand) of such losses. No deferred tax asset has been recognized in respect of the remaining CZK 217 332 thousand (2018: CZK 251 023 thousand) as it is not considered probable that there will be future taxable profits available. Included in unrecognized tax losses are losses of CZK 217 332 thousand (2018: CZK 251 023 thousand) that will expire in year:

in year	2020	2021	2022	2023	2024	Total
unrecognized tax losses	34 367	80 059	47 647	29 627	25 632	217 332

18. Inventories

	31/12/2019	31/12/2018
	In thousands of CZK	In thousands of CZK
Finished construction	388 535	65 607
Construction in progress	105 261	447 906
Less allowance	-23 724	-4 842
	470 072	508 671

The cost of inventories recognized as an income includes CZK -18,881 thousand (2018: CZK -8,575 thousand) in respect of write-downs of inventory to net realizable value. Inventories of Construction in progress are expected to be recovered after more than 12 months.

19. Trade and other receivables

	31/12/2019	31/12/2018
	In thousands of CZK	In thousands of CZK
Trade receivables	23 478	16 201
Prepayments	8 142	11 728
Accrued income	17 055	5 671
Other receivables	27 989	12 683
Loss allowance	-11 028	-9 473
	65 636	36 810

The following table details the risk profile of trade receivables based on the Group's provision matrix.

	Trade receivables – days past due							
31/12/2019	Not past due	<30	31-60	61-90	91-180	181-360	>360	Total
in thousands of CZK								
Expected credit loss rate	0,5%	2%	5%	10%	25%	50%	100%	
Gross carrying amount	2 473	386	643	63	1 545	15 567	2 801	23 478
Lifetime ECL	-12	-8	-32	-6	-386	-7 783	-2 801	-11 028
Net carrying amount	2 461	378	611	57	1 159	7 784	0	12 450

20. Cash and cash equivalents

	31/12/2019	31/12/2018
	In thousands of CZK	In thousands of CZK
Cash on hand	398	200
Bank balances	109 873	77 934
	<u>110 271</u>	<u>78 134</u>

Group is using more banks to eliminate concentration risks. Based on management assessment there is no need to reduce value of assets by provision.

21. Equity

The issued share capital of the company amounts to CZK 41,000 ths. in ordinary shares. The total number of the issued shares is one hundred sixty thousand (160,000), each having a par value of twenty-five Czech Crowns (CZK 25.00). The share premium amounts to CZK 72,006 ths.

Owner of the group Mr. Pokorny made contribution to capital funds by capitalization of debt.

Functional currency of SATPO Group is CZK and all subsidiaries prepare their accounts in CZK, no foreign exchange translation reserve is identified.

No dividends were paid during 2018 and 2019.

Decision about dividend for year 2019 is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

22. Non-controlling interests

Table below shows composition of the Non-controlling interest of SATPO Group.

	31/12/2019	31/12/2018
	In thousands of CZK	In thousands of CZK
City Home Invest III	55 889	42 600
City Home Invest Limited	42 994	0
Total Non-controlling Interest	98 883	42 600

In November 2017, the Group issued preference shares in amount of CZK 49 900 thousand. These shares are entitled to fixed dividends at rate of 8% p.a. plus 25% of share on the profit. If insufficient profits are available in a particular financial year, the dividends are accumulated and payable when sufficient profit are available. The Group has a call option to redeem these shares.

Since the Group cannot prevent payment of dividend unless there is no profit of cash sufficient for dividend payment, the shares were classified as hybrid financial instrument with equity and liability part.

	31/12/2019	31/12/2018
	In thousands of CZK	In thousands of CZK
Equity component	15 215	0
Liability component at date of issue (net of transaction cost)	34 685	34 685
Cumulative interest charged using effective interest rate (not paid)	11 418	5 863
Carrying amount of liability component	46 103	40 548

City Home Invest III company's consolidated profit for the year 2019 and total comprehensive income was CZK 59 147 ths.

City Home Invest Limited company's profit for the period from 1.8.2018 to 31.12.2019 was CZK 54 139 ths.

23. Borrowings

	31/12/2019	31/12/2018
Bank loans and bonds	In thousands of CZK	In thousands of CZK
Bank loans	446 960	561 004
Issued bonds	516 840	512 760
Total	963 800	1 073 764
Non-current	545 550	898 311
Current	418 250	175 453

Most of the Group's borrowings are denominated in CZK. Based on management judgment fair value of financial liabilities approximates their reported value.

Security

The Group had at the end of 2019 seven bank loans. Bank generally applies the following methods for securing its receivables from bank loans: pledge over immovable property, pledge over claim from deposit, pledge over receivables, pledge over business share, third party guarantee, bill of exchange, aval, subordination of debt (subordination of other liabilities after liabilities to the bank) subordination agreement, agreement to recognize the debt in the form of notarial protocol with consent to enforce.

There were two unpaid bond issuances as at the end of 2019. Bonds are secured through the security agent by pledge over business shares of selected group companies.

Pledges

The Group has pledged its assets in favour of the Company bonds holders in order to cover the principal debt, interest and other potential related claims. The Company's bond issuance is secured by the lien on the business share of the Company and Company's subsidiaries and the position of bondholders is strengthened by the existence of a hedging agent. The City Home Invest III bond issuance is secured by the lien on the business share of the company, company's subsidiaries, liens on immovable property and the position of bondholders is strengthened by the existence of a hedging agent.

The Group has pledged its assets (investment property, shares in subsidiaries, work-in-progress, inventories, receivables, cash balances) in favour of the banks as bank loan pledges in order to cover the principal debt, interest and other potential related claims in the amount of up to CZK 847 626 ths.

The weighted average interest rates paid during the year were as follows:

	31/12/2019	31/12/2018
	%	%
Bank loans	5,00	4,55
Issued bonds	6,20	6,20

24. Other financial liabilities

	31/12/2019	31/12/2018
	in CZK ths	in CZK ths
Payables to shareholders	73 534	92 821
Non-bank loans	11 379	24 035
Others	2 332	2 025
	87 245	118 881
Non-current	68 905	90 698
Current	18 340	28 183

25. Provisions

	31/12/2019	31/12/2018
	In thousands of CZK	In thousands of CZK
Warranty provision	1 101	1 771
Other provision	0	0
	1 101	1 771
Current	599	1 024
Non-current	502	747
	1 101	1 771

The warranty provision represents management's best estimate of the Group's liability under 60-month warranties granted on residential properties, based on past experience and industry averages.

26. Contract liabilities

Contract liabilities relate to residential construction contracts. They arise from milestone payments from customers during the construction process.

At 1 January 2018	57 235
Additions	33 412
Disposals	-38 599
At 31 December 2018	52 048
Additions	38 466
Disposals	-13 017
At 31 December 2019	77 497

27. Trade and other payables

	31/12/2019	31/12/2018
	In thousands of CZK	In thousands of CZK
Trade payables	56 051	68 130
Payables to employees	1 348	1 147
Other taxation and social security	1 045	9 557
Other payables	60 336	71 642
Accruals	12 320	11 982
	131 100	162 458

The directors consider that the carrying amount of trade payables approximates to their fair value.

28. Financial risk management

(a) Financial risk management objectives

The Group's management co-ordinates access to financing, monitors and manages the financial risks relating to the operations of the Group and analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Group seeks to minimize the effects of these risks. **(a) Market risk**

The Group's activities expose it primarily to the financial risks of changes in prices of residential properties in Prague.

(b) Currency risk

There is limited currency risk and exposure as all group entities except for two perform their businesses predominantly in Czech Koruna (CZK) which is functional currency of the Group.

(c) Interest rate risk management

The Group is exposed to limited interest rate risk because entities in the Group borrow funds predominantly at fixed interest rates. The risk is managed by the Group by maintaining target mix between fixed and floating rate borrowings. Proportion of variable rate borrowings shall not exceed 30%.

All the Group bonds have a fixed interest rate. The bank loans principal as at 31.12.2019 that has a fixed interest rate is CZK 297 000 ths. (2018: CZK 322 000 ths.), and that has a variable interest rate related to PRIBOR in amount CZK 150 000 ths. (2018: CZK 239 000 ths.).

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

	Increase/decrease in basis points	Effect on profit before tax
		CZK ths.
2019	+10	(150)
	(10)	150
2018	+10	(239)
	(10)	239

The assumed movement in basis points for the interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility than in prior years.

(d) Credit risk management

In order to minimize credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties and customers, obtaining sufficient collateral or advance payment, where appropriate, as a means of mitigating the risk of financial loss from defaults.

(e) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management and operative management of cash flow and short, medium, and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

	31 December 2019	31 December 2018
Current liquidity ratio (current assets / current liabilities)	99%	149%
Quick liquidity ratio (cash and cash equivalents / current liabilities)	17%	19%

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Weighted average effective interest rate	Until 3 months	3-12 months	Between 1-5 years	Over 5 years	Total
	%	CZK ths.	CZK ths.	CZK ths.	CZK ths.	CZK ths.
31 December 2019						
Issued bonds	6,20	0	0	516 840	0	516 840
Bank loans	5,00	0	418 250	28 710	0	446 960
Contract liabilities		0	37 967	39 530	0	77 497
Shareholders		2 500	7 500	23 607		33 607
	%	CZK ths.	CZK ths.	CZK ths.	CZK ths.	CZK ths.
31 December 2018						
Issued bonds	6,20	0	0	512 760	0	512 760
Bank loans	4,55	0	175 453	385 551	0	561 004
Contract liabilities		0	24 165	27 883	0	52 048
Shareholders		2 500	7 500	64 500		74 500

(f) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from 2019.

The capital structure of the Group consists of net debt (borrowings disclosed in note 23 and 24 after deducting cash and bank balances) and equity of the Group (comprising issued capital, reserves, and non-controlling interests).

The Group is not subject to any externally imposed capital requirements.

Gearing ratio

The gearing ratio at the year-end is as follows:

	31/12/2019	31/12/2018
	In thousands of CZK	In thousands of CZK
Debt	1 051 045	1 192 645
Cash and cash equivalents	-110 271	-78 134
Net debt	940 774	1 114 511
Equity	104 953	31 440
Net debt to equity ratio	896 %	3 545 %

Debt is defined as long- and short-term borrowings as detailed in notes 23 and 24.

Equity includes all capital and reserves of the Group that are managed as capital.

29. Contingencies and commitments

The Group is not aware as at 31.12.2019 of any contingent liability or commitments with material impact on these financial statements.

30. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below.

	Sales to related parties		Purchases from related parties		Amounts owed by related parties*		Amounts owed to related parties*	
	31.12. 2019	31.12. 2018	31.12. 2019	31.12. 2018	31.12. 2019	31.12. 2018	31.12. 2019	31.12. 2018
<u>Shareholders</u>	CZK ths.	CZK ths.	CZK ths.	CZK ths.	CZK ths.	CZK ths.	CZK ths.	CZK ths.
Mr. Jiri Pokorny	0	0	0	0	0	0	33 607	74 500

* The amounts are classified as other receivables and other financial liabilities, respectively (see Notes 27 and 24).

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate.

	31/12/2019	
	Directors	in CZK ths.
Remuneration (short-term)	4	3 957

From year 2019 was established remuneration of management in the form of bonus.

31. Events after the reporting period

The second bond issue under City Home Invest III, s.r.o. in the amount of CZK 210,000 ths was issued on June 15, 2020 with the maturity on June 15, 2025. The third bond issue under City Home Invest III, s.r.o. in the amount of CZK 210,000 ths was issued on November 9, 2020 with the maturity on November 9, 2025. All the bond issues were fully sold.

On 24 December 2020 the General Meeting of the Company resolved to issue (i) one hundred sixty thousand (160,000) class A shares in the capital of the Company, each having a par value of twenty-five Czech Crowns (CZK 25.00), numbered A1,640,001 up to and including A1,800,000 to Jiří Pokorný; and (ii) two hundred thousand (200,000) non-voting class B shares in the capital of the Company, each having a par value of twenty-five Czech Crowns (CZK 25.00) numbered B1 up to and including B200,000, to Dagmar Pokorná. In connection with the above-mentioned capital increase Jiří Pokorný made a share premium amounting to CZK 10,000,000 and Dagmar Pokorná made a share premium amounting to CZK 90,000,000. The Company's registered capital after the issue of new shares amounts to CZK 50,000,000; the aggregated amount of share premium equals to CZK 170,000,000. At year end the issued and fully paid share capital amounted to 1,8mio A Shares (2019: 1,64mio) & 0,200mio B Shares (2019: 0). Mr. Pokorny, a former sole shareholder owns newly 90% of shares and Mrs. Dagmar Pokorna owns 10% of shares.

A restructuring of the Group commenced in the fourth quarter of 2020. The aim of the restructuring was to set the following structure: holding companies serving as parent companies – City Home, s.r.o., SATPO, a.s. and SATPO services, a.s. Subsidiaries of each holding divided among them on the basis of brand. Finally, SATPO services, a.s., being the holding company for companies that provide support activities groupwide. Overall, restructuring 2020 did not change significantly composition of Group assets and liabilities.

No other than above mentioned events occurred subsequent to the balance sheet date that would have a material impact on the financial statements.

32. Audit fees

Fees paid to the Group's auditor for this 2019 Company's Consolidated IFRS financial statements are EUR 45,000.

33. Going concern and COVID-19

At the end of 2019, the first news came from China regarding COVID-19 (the coronavirus). In the first months of 2020, the virus spread globally, causing substantial economic damage. Even though the Company's management did not see a significant decrease in sales at the time of publishing of these financial statements, the situation is constantly changing and therefore the future impacts of the pandemic on the Company's operations cannot be estimated. The Company's management will continue to follow the potential effects closely, taking all the possible steps to mitigate any negative impacts on the Company and its employees.

These consolidated financial statements 2019 are issued in November 2021. Because of this reason, despite COVID-19, management confirms that it expects a positive results and cash flow for the upcoming year. This expectation is based on results of 2020 and preliminary results of 2021.

SATPO Group B.V.

Consolidated financial statements prepared in accordance with IFRS as adopted by the EU

The audited consolidated result after taxation for financial year 2020 amounts to CZK 169 109 ths., the balance sheet volume amounts to CZK 1 589 808 ths. and equity attributable to the owners of the parent amounts to CZK 182 334 ths.

The unaudited consolidated result after taxation as of June 30, 2021 amounts to CZK 50 464 ths., the balance sheet volume amounts to CZK 1 866 594 ths. and equity attributable to the owners of the parent amounts to CZK 232 798 ths.

The Company's management assessed with respect to the above mentioned financial progress and development of residential market prices, portfolio of real estate projects and the terms of all bond placements the potential impacts of COVID-19 on its activities and business and concluded that they do not have a material impact on the going concern assumption.

Signing of the financial statements

Amsterdam, 30 November 2021

Management board:


Jiří Pokorný


Elbe Fiduciary Management B.V.

INDEPENDENT AUDITOR'S REPORT

To the Partners of SATPO Group B.V.

Registered by the Municipal Court
in Prague, Section C, File 24349
ID. No.: 49620592
Tax ID. No.: CZ49620592

Having its registered office at: Barbara Strozilaan 201, 1083HN Amsterdam, Netherlands

Opinion

We have audited the accompanying consolidated financial statements of SATPO Group B.V. and its subsidiaries (the "Group") prepared on the basis of International Financial Reporting Standards as adopted by the EU, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 1 to the consolidated financial statements which describes that SATPO Group B.V. does not have an obligation to prepare statutory consolidated financial statements for the year ended 31 December 2019 and to have them audited. As such, these financial statements are not statutory financial statements. SATPO Group B.V. already prepared consolidated financial statements in accordance with IFRS as adopted by the EU as of 31 December 2020. Afterwards, in connection with the bond emission planned in December 2021, SATPO Group is required by the regulator to file the consolidated financial statements prepared in accordance with IFRS as adopted by the EU as of 31 December 2019. These consolidated financial statements as of 31 December 2019 are prepared as the first-time adoption of IFRS by EU in accordance with IFRS 1, with the date of the first adoption being 1 January 2018. Our opinion is not modified in respect of this matter.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

In Prague on 30 November 2021

Audit firm:

Deloitte Audit s.r.o.
registration no. 079



Statutory auditor:

David Batal
registration no. 2147

