

NAKIT

Národní agentura pro
komunikační a informační
technologie, s. p.



ANNUAL REPORT 2017

Národní agentura pro komunikační a informační technologie, s. p. was established on 1 February 2016 as a service organization of the Ministry of Interior of the Czech Republic. It provides services in the field of information and communication technologies (ICT) with the use of more than 40 regional offices. The NAKIT Statute defines a wide range of activities that predetermine it to build new competencies enabling, for example, not only the operation and maintenance of information and communication technologies, but at the same time their development in a manner consistent with the needs of their users.

An introductory word from the Director

Ladies and Gentlemen,

on the following pages, you can get acquainted with the financial results of the NAKIT agency for 2017. 2017 is important both for NAKIT and the interpretation of its economic indicators, mainly because it represents the first complete calendar period of its operation.

In 2017, NAKIT focused mainly on the development of ICT services in the area of public administration using its own resources in order to fulfil the role of a reliable and strategic partner of its founder, the Ministry of Interior of the Czech Republic. At the same time, a program of transformation of the internal organization and integration of employees was launched, which led to the creation of functional project teams composed of staff across the whole agency. A strategy paper has also been drawn up, defining the Agency's direction for the next three years. With the prospect of exchanging experience on the latest trends in ICT technologies, regulation and legislation, membership in several international organizations is maintained.

In the following period, we will focus on both professionalisation and new technologies. There will be gradual optimization of processes that will be reflected in infrastructure services in particular, where we expect the transition from technology management to service delivery and the implementation of new processes necessary to deliver our own products, particularly in the field of application services. Financial management will continue to rely on short- and medium-term planning and evaluation of the results of modern economic indicators. Great emphasis will be placed on increasing cyber security, both for our own products and for providing protection as a stand-alone service.

The existing organizational structure will be modified to allow the objectives to be achieved effectively. After the expected modifications, NAKIT will be ready to play a significant role in implementing changes leading to the application of modern and secure state ICT systems and creating a quality environment for the development of eGovernment in the Czech Republic.

This way, I want to thank all colleagues who have so far contributed to the growth of the importance and day-to-day running of the NAKIT agency, as well as our customers and business partners for their cooperation so far.

I look forward to seeing you in what I believe will be a successful year 2018.



Ing. Vladimír Dzurilla
NAKIT Director

Annual report

Národní agentura pro komunikační a informační technologie, s. p. (hereinafter „NAKIT“ or „the Company“) is a state-owned company established according to Act no. 77/1997 Coll., on State Enterprises, as amended (hereinafter „the Law on State Enterprises“). The founder of NAKIT is the Ministry of the Interior.

NAKIT was founded by a charter of the Ministry of the Interior of 21. 1. 2016 and it is registered in the Commercial Register kept by the Municipal court in Prague, Section A, entry 77322 of 1. 2. 2016. NAKIT's identification number is 047 67 543.

NAKIT is a legal entity, carrying out business activities with state property in its own name and under its own responsibility. It is authorized to manage this property.

The registered office of the Company is Kodaňská 1441/46, 101 00 Prague 10.

The Company at 31. 12. 2017 did not show on its balance sheet any intangible assets arising from research and development.

The Company complies with all legal regulations regarding environmental protection and employment relations.

The Company has no branches abroad.

During 2017 the Company received a request pursuant to Act no.106/99 Coll., On free access to information, as amended by later regulations, which was answered within the statutory time limit.

The Company expects a deepening of current activities within the current scope of business.

As of 22. 1. 2018, Alan Ilczyszyn was dismissed from the post of director of the state enterprise, and on 24. 1. 2018 Vladimír Dzurilla was appointed to this position.

During the period from the date of the Financial statements to the date of approval of the annual report no events occurred which could significantly influence the reported Financial statements for the accounting period 1. 1. 2017 – 31. 12. 2017.

*Národní agentura pro komunikační a informační
technologie, s. p.*

**Independent Auditor's Report
and Financial Statements
as at 31. 12. 2017**

INDEPENDENT AUDITOR'S REPORT

To the Founder of **Národní agentura pro komunikační a informační technologie, s. p.**

Opinion

We have audited the accompanying financial statements of **Národní agentura pro komunikační a informační technologie, s. p.**, with its headquarters at Kodaňská 1441/46, Praha 10, Czech Republic, IC (Registration Number) 047 67 543 (hereafter the Company), prepared in accordance with Czech accounting regulations, which comprise the balance sheet as at 31. 12. 2017, the income statement, statement of changes in equity and cash flow statement for the period from 1. 1. 2017 to 31. 12. 2017 and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the assets and liabilities of **Národní agentura pro komunikační a informační technologie, s. p.** as at 31. 12. 2017 and of the costs, revenues and its profit or loss and its cash flows for the period from 1. 1. 2017 to 31. 12. 2017, in accordance with Czech accounting regulations.

Basis for Opinion

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

Other information included in the Annual Report

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

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

requirements could influence judgments made on the basis of the other information.

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

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

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

Responsibilities of the Director and Supervisory Board for the Financial Statements

The Director is responsible for the preparation and fair presentation of the financial statements in accordance with Czech accounting regulations, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with the above regulations, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Director.
- Conclude on the appropriateness of the Director use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Director 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 13th April 2018

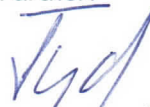
Audit firm:

BDO Audit s. r. o.

BDO Audit s. r. o.

Certificate No. 018

Partner:



Ing. Ondřej Šnejdar

Certificate No. 1987

Kodaňská 1441/46

Praha 10

101 00

BALANCE SHEET**AS AT 31. 12. 2017**

('000 CZK)

ASSETS	Gross	Current Year Adjust.	Net	Prior Year Net
ASSETS	578 330	-103 835	474 495	504 968
A. Receivables for subscribed capital	1 000	-1 000	0	0
B. Fixed assets	117 087	-90 866	26 221	34 031
B.I. Intangible assets	9 372	-3 817	5 555	2 268
B.I.2. Valuable rights	9 372	-3 817	5 555	2 268
B.I.2.1. Software	9 332	-3 803	5 529	2 231
B.I.2.2. Other valuable rights	40	-14	26	37
B.II. Tangible fixed assets	107 715	-87 049	20 666	31 763
B.II.2. Machines, tools and equipment, transportation means, furniture and office equipment	98 077	-85 764	12 313	22 767
B.II.3. Adjustment to acquired fixed assets	9 638	-1 285	8 353	8 996
C. Current assets	431 400	-11 969	419 431	433 377
C.I. Inventory	24 012	-5 813	18 199	12 409
C.I.1. Raw materials	94	0	94	63
C.I.2. Work in progress and semi-finished products	19 361	-1 283	18 078	7 816
C.I.3. Finished goods and merchandise	4 557	-4 530	27	4 530
C.I.3.2. Merchandise inventory	4 557	-4 530	27	4 530
C.II. Receivables	122 949	-6 156	116 793	201 605
C.II.1. Long-term receivables	9 740	0	9 740	16 410
C.II.1.4. Deferred tax asset	9 721	0	9 721	16 312
C.II.1.5. Other receivables	19	0	19	98
C.II.1.5.4. Other receivables	19	0	19	98
C.II.2. Short-term receivables	113 209	-6 156	107 053	185 195
C.II.2.1. Trade receivables	6 727	-6 156	571	8 886
C.II.2.2. Receivables from controlled entities, controlling entities and from entities under common control	51 995	0	51 995	130 260
C.II.2.4. Other receivables	54 487	0	54 487	46 049
C.II.2.4.4. Short-term advance payments	5 644	0	5 644	4 583
C.II.2.4.5. Estimated receivables	48 755	0	48 755	41 374
C.II.2.4.6. Other receivables	88	0	88	92
C.IV. Cash in hand and bank accounts	284 439		284 439	219 363
C.IV.1. Cash in hand	10		10	1
C.IV.2. Bank accounts	284 429		284 429	219 362
D. Accruals of assets	28 843		28 843	37 560
D.1. Deferred expenses	28 843		28 843	29 267
D.3. Deferred cash receipts	0		0	8 293

Národní agentura pro komunikační a informační technologie, s. p., ID No. 047 67 543
BALANCE SHEET AS AT 31. 12. 2017

LIABILITIES	Current Year	Prior Year
TOTAL EQUITY AND LIABILITIES	474 495	504 968
A. Equity	251 255	255 659
A.I. Registered capital	200 000	200 000
A.I.1. Registered capital	200 000	200 000
Share premium and capital contributions	45 980	46 320
A.II.2. Capital contributions	45 980	46 320
A.II.2.1. Other capital contributions	38 173	38 513
A.II.2.2. Gains or losses from revaluation of assets and liabilities (+/-)	7 807	7 807
A.III. Legal, statutory and other reserve funds	22 961	23 163
A.III.1. Other reserve funds	20 000	20 000
A.III.2. Statutory and other reserves	2 961	3 163
A.IV. Profit/Loss - previous year (+/-)	-18 731	-22 551
A.IV.2. Accumulated losses from previous years (+/-)	-18 731	-22 551
A.V. Profit/Loss - current year	1 045	8 727
B. + C. Liabilities	223 240	247 017
B. Provisions	70 124	73 609
B.4. Other provisions	70 124	73 609
C. Liabilities	153 116	173 408
C.II. Short-term liabilities	153 116	173 408
C.II.4. Trade payables	73 304	77 468
C.II.6. Liabilities to controlled entities, controlling entities and from entities under common control	3 126	3 103
C.II.8. Other liabilities	76 686	92 837
C.II.8.3. Liabilities to employees	19 163	17 793
C.II.8.4. Social security and health insurance liabilities	9 387	9 588
C.II.8.5. Due to state - taxes and subsidies	15 589	16 102
C.II.8.6. Estimated liabilities	32 507	49 210
C.II.8.7. Other liabilities	40	144
D. Accruals of liabilities	0	2 292
D.2. Deferred revenue	0	2 292

Date:

13.4.2018

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31. 12. 2017
('000 CZK)

	Period	
	Current	Prior
Sales of own product and services	1 051 095	508 294
II. Sales of goods	16 560	63 757
A. Production consumption	634 741	367 330
A.1. Cost of goods sold	16 560	63 757
A.2. Raw materials and consumption	10 862	2 480
A.3. Services	607 319	301 093
B. Change in own production inventory (+/-)	-11 544	6 797
D. Personnel expenses	415 315	210 602
D.1. Wages and salaries	312 000	162 859
D.2. Social security expenses, health insurance and other expenses	103 315	47 743
D.2.1. Social security expenses and health insurance	97 176	45 798
D.2.2. Other expenses	6 139	1 945
E. Valuation adjustments relating to operating activities	25 426	8 377
E.1. Valuation adjustments of fixed assets	13 457	8 377
E.1.1. Valuation adjustments of fixed assets - permanent	13 457	8 377
E.2. Valuation adjustments of inventory	5 813	0
E.3. Valuation adjustments of receivables	6 156	0
III. Other operating income	7 952	-644
III.1. Income from fixed assets sold	2 516	108
III.3. Other operating income	5 436	-752
F. Other operating expenses	4 176	-27 913
F.1. Net book value of fixed assets sold	561	97
F.3. Taxes and fees	935	904
F.4. Provisions relating to operating activities and complex deferred expenses	-3 485	-27 497
F.5. Other operating expenses	6 165	-1 417
* Operating profit/loss (+/-)	7 493	6 214
VI. Interest income and similar income	172	97
VI.2. Other interest and similar income	172	97
J. Interest expenses and similar expenses	10	0
J.2. Other interest and similar expenses	10	0
VII. Other financial income	6	3
K. Other financial expense	25	18
* Profit/loss from financial operations (transactions) (+/-)	143	82
** Profit/loss before tax (+/-)	7 636	6 296
L. Income tax	6 591	-2 431
L.1. Income tax - due	0	-48
L.2. Income tax - deferred (+/-)	6 591	-2 383
** Profit/loss after tax (+/-)	1 045	8 727

PROFIT AND LOSS ACCOUNT

Period: 1.1.2017 to 31.12.2017

	Current	Period Prior
*** Profit/loss of current accounting period (+/-)	1 045	8 727
* Net turnover = I. + II. + III. + IV. + V. + VI. + VII.	1 075 785	571 507

Date:

13.4.2018

CASH FLOW STATEMENT

P		219 363	49 898
Opening balance of cash and cash equivalents			
Cash flows from operating activities			
Z	Profit or loss from ordinary activities before tax	7 636	6 296
A.1	Adjustments for non-cash transactions	24 032	-19 228
A.1.1	Depreciation of fixed assets	13 457	8 377
A.1.2	Change in provisions and reserves	8 484	-27 497
A.1.3	Profit/loss on the sale of fixed assets	-1 955	-11
A.1.5	Interest expense and interest income	-162	-97
A.1.6	Adjustments for other non-cash transactions	4 208	0
A *	Net operating cash flow before tax	31 668	-12 932
A.2	Change in working capital	42 387	183 192
A.2.1	Change in operating receivables and other assets (incl. estimated receivables)	74 011	126 695
A.2.1.1	Change in operating receivables (excl. estimated receivables)	79 446	98 395
A.2.1.2	Change in assets (CZ)	8 717	23 667
A.2.1.3	Change in estimated receivables	-14 152	2 250
A.2.2	Change in operating payables and other liabilities (incl. estimated payables)	-20 021	43 176
A.2.2.1	Change in operating payables (excl. estimated payables)	-3 589	11 388
A.2.2.2	Change in liabilities (CZ)	-2 292	2 212
A.2.2.3	Change in estimated payables	-14 140	29 576
A.2.3	Change in inventories	-11 603	13 321
A.2.3.1	Change in inventories (excl. unfinished inventories and work-in-progress)	-58	6 524
A.2.3.2	Unfinished inventories and work-in-progress	-11 545	6 797
A **	Net operating cash flow before tax and extraordinary items	74 055	170 260
A.3	Interest paid	-10	0
A.4	Interest received	172	97
A.5	Income tax paid from ordinary operations a supplementary tax for previous periods	0	48
A ***	Net operating cash flows	74 217	170 405
Cash flows from investing activities			
B.1	Fixed assets expenditures	-6 208	-24
B.2	Proceeds from fixed assets sold	2 516	108
B ***	Net investment cash flows	-3 692	84
Cash flows from financing activities			
C.2	Impact of changes in equity	-5 449	-1 024
C.2.5	Payments from capital funds	-5 449	-1 024
C ***	Net financial cash flows	-5 449	-1 024
F	Net increase/decrease in cash and cash equivalents	65 076	169 465
R	Closing balance of cash and cash equivalents	284 439	219 363

SUMMARY OF CHANGES IN EQUITY

(thous. CZK)	Share capital	Other capital funds	Restatement differences from revaluation of assets and liabilities	Statutory reserve	Other profit funds	Accumulated losses brought forward	Profit or loss for the current year	Total
Balance as at 1. 7. 2016	200000	35 543	7 807	20 000	1 097	-260	-16 231	247956
Allocation of profits and movement between funds	0	2 970	0	0	3 090	-22 291	16 231	0
Drawing on funds	0	0	0	0	-1 024	0	0	-1024
Profit for the current period	0	0	0	0	0	0	8 727	8 727
Balance as at 31. 12. 2016	200000	38 513	7807	20 000	3 163	-22 551	8 727	255659
Allocation of profits and movement between funds	0	-340	0	0	5 247	3 820	-8 727	0
Drawing on funds	0	0	0	0	-5 449	0	0	-5 449
Profit for the current period	0	0	0	0	0	0	1 045	1 045
Balance as at 31. 12. 2017	200000	38 173	7807	20 000	2 961	-18 731	1 045	251 255

1. General information

1.1. Basic information about the Company

Národní agentura pro komunikační a informační technologie, s. p. (hereinafter „NAKIT“ or „the Company“) is a state-owned company. It is a legal entity conducting business activities with state property in its own name and under its own responsibility. The founder of the Company is the State. The Company was founded on 1. 2. 2016. The function of founder was carried out by the Ministry of the Interior of the Czech Republic on behalf of the State. As at 31. 12. 2016 the Company's headquarters are at Prague 10, Kodaňská 1441/46, Czech Republic. The identification number of the Company is 047 67 543 and it is registered in the Commercial Register kept by the Municipal court in Prague, Section A, entry 77322. The Company is a business entity in accordance with Act No. 77/1997 Coll., on State Enterprises, as amended.

The activities of the Company are as follows:

- a) production, trade and services not specified in Annexes 1 to 3 of the Trade Act,
- b) supply, development and operation of systems of information and communication technologies and related services, including infrastructure, which are used when performing the tasks of State (public) administration. Operation, supply and development of systems of information and communication technologies, which deal with sensitive data or classified information, including data registers and data warehouses,
- c) operations, support and development of critical communications infrastructure of the State, including CMS, especially according to Act. No. 365/2000 Coll., on public administration information systems and amendments to certain other Acts and Act no.300/2008 Coll., on electronic acts and authorized conversion of documents,
- d) providing central shopping area services for entities of the State (public) administration,
- e) mapping of network and related infrastructure owned by public entities together with an analysis of current and future communications needs and demand for services of private networks from public entities. As part of this line of activity will also be the building and operating of a secure geo-information system containing information about private networks infrastructure,
- f) strategic support of development of private networks and related infrastructure and services of private networks for public entities, including the creation, implementation and application of strategy for the functional, organizational, architectural and technical development of private networks for public entities, as well as preparation of recommendations and methodologies for the realization of synergic effects in construction of private networks. Part of this activity is also the identification and implementation of appropriate security measures into the architecture of private networks and services,
- g) coordination of private networks construction by the Ministry of Interior,
- h) mapping of the availability and usability of investment resources for the development of private networks including analysis of planned investment projects suitable for parallel realization of private networks and related infrastructure.

The authorities of the Company are the Director and the Supervisory Board. The statutory representative of the Company is the Director, respectively the Deputy Director.

The organizational structure as at 1. 1. 2018 is as follows:



Members of statutory bodies as at 31. 12. 2017:

Members of statutory bodies	Position	Date of creation of function	Registered in commercial register (CR)
Alan Ilczyszyn	Director	10.7.2017	30.9.2017

Structure of supervisory board as at 31. 12. 2017 was as follows:

Name	Position	Date of creation of the function	Registered in commercial register (CR)
JUDr. Ing. Jiří Nováček	Chairman	1.7.2016	1.7.2016
Mgr. Jiří Zmatlík	Deputy Chairman	1.7.2016	1.7.2016
JUDr. Jaroslav Strouhal	Member	1.7.2016	1.7.2016
JUDr. PhDr. Petr Mlsna, Ph.D.	Member	22.8.2017	30.9.2017
Mgr. Jan Ďoubal	Member	1.7.2016	1.7.2016
Pavel Čech	Member	6.10.2017	9.12.2017

Changes in the Commercial Register during 2017 were as follows:

Top management	Position	Date of dismissal	Registered in commercial register (CR)
Jan Přerovský	Director	7.11.2016	28.1.2017

Supervisory board	Position	Date of dismissal	Registered in commercial register (CR)
Lukáš Dohnal	Member	31.7.2017	30.9.2017

2. Basis of preparation of the financial statements

The financial statements have been prepared in accordance with Act no.563/1991 Coll., on Accounting and Decree no.500/2002 Coll. To this Act and according to Czech accounting standards for entrepreneurs as applicable for the year 2014. The financial statements have been prepared in accordance with accounting principles generally accepted in the Czech Republic and have been prepared under the historical cost convention except as disclosed below. The financial statements have been prepared for the period 1.1. – 31.12.2017, comparable period is 1.7 – 31.12.2016.

3. Accounting policies

The valuation methods used by the Company in preparation of the financial statements as at 31.12.2017 are as follows:

3.1. Intangible fixed assets

Intangible fixed assets are measured at cost which includes the purchase price and additional direct costs incurred in connection with the acquisition.

Intangible assets whose value exceeds 40 thousand CZK per item are evenly amortized over their estimated useful lives in accordance with the amortization plan of the Company, for a period of 4 years, or in exceptional cases where the useful life is for a longer period.

Intangible assets with a cost of less than 40 thousand CZK per item, are expensed at acquisition and are recorded only in a subsidiary ledger.

The amortization schedule is updated throughout the use of intangible fixed assets based on the expected useful life.

The cost limit for the capitalisation of technical improvements of intangible assets is 40 thousand CZK. If the carrying value of an asset exceeds the estimated recoverable amount, the carrying value is reduced to that amount through allowances. The recoverable amount is determined based on expected future cash flows generated by the asset.

3.2. Tangible fixed assets

Tangible fixed assets are initially recorded at purchase price, which includes all costs related to their acquisition. Loan interest is not included in the cost of tangible fixed assets.

Tangible assets acquired free of charge are valued at replacement acquisition cost and charged to the account of other capital funds. The replacement acquisition cost of these assets is determined based on an expert report, respectively based on the market prices of comparable assets in terms of condition and functional properties. The value of tangible assets is reduced by subsidies for the acquisition of assets.

The depreciation plan is updated throughout the use of tangible fixed assets based on the expected useful life.

If the net book value of an asset exceeds its estimated recoverable amount, the net book value is reduced to that amount by allowances. The recoverable amount is determined based on expected future cash flows generated by the asset.

If the net book value of a cash-generating unit exceeds its estimated recoverable value, the net book value of the cash-generating unit is reduced by an allowance to the recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash income significantly independent from the cash income from other assets or groups of assets.

Allowances are made particularly for projects for which it is not known when and whether they will be applied and in the case of a planned sale, if the estimated selling price, net of costs related to the sale is less than the net book value reported in the accounting records.

The costs of technical improvement to tangible assets increase the acquisition price, when the total costs for the accounting period exceed the amount of 40 thousand CZK and when the technical improvements are put into use during that year. Repairs and maintenance are accounted directly to expenses.

Tangible assets with a cost less than 40 thousand CZK per item are considered as inventory. They are accounted for upon consumption and recorded only in a subsidiary ledger. Tangible assets whose cost exceeds 40 thousand CZK per item are depreciated using the method of straight-line depreciation based on the expected useful lives of the assets. The expected lives of tangible assets are as follows:

	Years
Machinery and equipment	4 – 15
Vehicles	6 – 20
Furniture and fittings	10 – 20
IT technology	3 – 7

3.3. Current financial assets

Current financial assets consist of cash on hand and in bank accounts.

3.4. Inventories

Purchased inventories are valued at acquisition cost, net of allowances. Acquisition cost includes all costs related to its acquisition (mainly transport, customs duty, etc.). For disposals of purchased inventories the Company uses the weighted average method.

Provisions for slow moving items and obsolete inventory are created based on an analysis of the turnover of inventory and based on an individual evaluation of inventories.

In the case of long-term contracts, the carrying value of work in progress also includes part of the administrative overhead. Received subcontractor supplies and other direct costs are expensed and simultaneously posted to activated work in progress. Subcontracted supplies are valued at cost. The clearing of work in progress occurs at the moment of the recognition of sales for deliveries.

3.5. Receivables

Receivables are stated at nominal value less a provision for doubtful receivables. The provision for doubtful receivables is established based on the aging of receivables and an individual assessment of the creditworthiness of customers.

3.6. Equity

The financial position and funds of the Company are governed by Act no.77/1997 Coll., on State Enterprises as amended. The share capital is under this act termed a business asset, to which the Company has the right on its establishment. Share capital includes both registered and unregistered assets, in compliance with the accounting regulations. Other capital funds are created in accordance with the accounting regulations for entrepreneurs.

Furthermore, the Company creates a reserve fund from profit, which may reach up to 10% of the share capital.

The Company creates a fund for cultural and social needs (hereinafter "WF"). Creating a Welfare Fund is governed by § 16 of the Decree no.114/2002 Coll. and § 3 of Decree no.310/1995 Coll. On the fund for cultural and social needs, as amended (including changes under Decree no.167/1997 Coll., and 314/1999 Coll.) and the use of the WF is governed by § 4-10 of the Decree no.310/1995 Coll.

3.7. Liabilities

The Company creates a reserve if it has a present liability and it is likely that an outflow of resources will be required to settle the liability and a reliable estimate of the amount can be made.

Included in "Provision for income taxes" are also paid advances for income tax if they are lower than the advance provision for income taxes.

Long-term liabilities incl. loans and short-term liabilities, including loans are stated at their nominal values. Short-term loans are regarded as the part of long-term loans maturing within one year from the balance sheet date.

The Company creates a provision for the future liability from income tax less advances paid for income tax. If the advances for income tax exceed the estimated tax, the difference is recognized as a short-term receivable.

3.8. Leasing

The purchase price of assets acquired under finance and operating leases are not capitalized in fixed assets. Lease payments are expensed evenly over the life of the lease. Future lease payments not yet due at the balance sheet date are disclosed in the notes but not recognized in the balance sheet. The Company recognizes the value of leased assets when the lease contract expires, and it takes up the purchase option. Lease payments paid in advance are accrued evenly over the life of the lease.

3.9. Conversion of foreign currency

Transactions in foreign currencies are translated and recorded at the exchange rate set by the Czech National Bank on the first day of the current month.

Balances of financial assets, receivables and liabilities denominated in foreign currencies have been converted at the exchange rate published by the Czech National Bank at the balance sheet date. All exchange profits and losses on financial assets, receivables and liabilities are charged in the profit and loss account.

3.10. Expenses and revenues

Revenues and expenses are generally booked on an accrual basis, i.e. in the period to which they relate.

Sales are recognized at the time of provision of the service (except as noted below) or the sale of goods to customers and are reported net of discounts and value added tax.

The Company charged as a debit to expenses the creation of reserves and adjustments to cover all risks, losses and impairments that are known of at the balance sheet date.

3.11. Income tax

The expense for income tax is calculated using the statutory tax rate on the accounting profit increased or decreased by permanent or temporary tax non-deductible expenses and non-taxable income (e.g. Creation and charging of other reserves and allowances, entertaining expenses, differences between accounting and tax depreciation, etc.).

The income tax liability of the Company is recorded in the balance sheet as part of "State – tax liabilities and subsidies" if the tax liability exceeds the tax prepayments. Otherwise, the amount exceeding the tax liability arising from tax prepayments is reported in "State – tax receivables".

The tax expense is reported in the profit and loss account as a tax on an operating activity.

3.12. Deferred tax

Deferred tax is reported for all temporary differences between the net book value of an asset or liability in the balance sheet and its tax value.

3.13. Employee benefits

The Company creates a reserve for untaken holidays. The Company creates an accrual for compensations and bonuses due to employees who are entitled to payment at the balance sheet date. The Company creates a reserve for compensations and bonuses to employees who are not entitled to payment as at the balance sheet date.

3.14. Related parties

The related parties of the Company are:

- The State as the founder of the Company, government agencies, state enterprises and companies, respectively any other legal entities where the State has a controlling influence, whatever is the substance of the relationship, and not merely the legal form;
- Members of statutory, supervisory and management entities and parties close to these entities, including enterprises or institutions and companies where these members and parties have a substantial, proportionate or controlling influence.

Significant transactions and balances with related parties are disclosed in Note 16 – Related party transactions.

3.15. Cash and cash equivalents

Financial resources are cash on hand including liquid valuables and cash in a bank account, including the overdrawing of current or overdraft accounts.

Cash equivalents are short-term, highly liquid financial assets that are readily convertible to known amounts of cash and regarding these assets no significant changes of value in time is expected. Cash equivalents are considered to be cash deposits with a maximum of three months' notice and liquid debt securities tradable on a public market.

The Company has prepared a cash flow statement using the indirect method.

3.16. Changes in accounting policies and estimates

In the period 2017 and 1.7. – 31.12.2016, we did not identify any significant changes in accounting policies and estimates.

3.17. Subsequent events

The impact of events that occurred between the balance sheet date and the date of preparation of the financial statements, are reflected in the financial statements in the case that these events provide further evidence of conditions that existed at the balance sheet date. In the case that significant events occurred between the balance sheet date and the date of preparation of the financial statements but did not affect conditions at the balance sheet date, the effects of these events are disclosed in the notes to financial statements but are not recorded in the financial statements.

4. Non-current assets

4.1. Intangible assets

31. 12. 2017

(thous. CZK)	Opening balance	Additions *)	Disposals*)	Final balance
Software	4 645	4 775	-88	9 332
Valuable rights	40	0	0	40
Intangible assets under construction	0	4 775	-4 775	0
Total 2017	4 685	9 550	-4 863	9 372

*) Additions and Disposals also include transfers of intangible fixed assets under construction.

(thous. CZK)	Opening Balance of depreciation	Additions	Disposals	Final Balance of depreciation	Allowances	Net book value
Software	-2 413	-1 454	64	-3 803	0	5 529
Valuable right	- 4	-10	0	- 14	0	26
Intangible assets under construction	0	0	0	0	0	0
Total 2017	-2 417	-1 454	64	-3 817	0	5 555

31. 12. 2016

(thous. CZK)	Opening balance	Additions *)	Disposals *)	Final balance
Software	4 645	0	0	4 645
Valuable rights	0	40	0	40
Intangible assets under construction	0	40	-40	0
Total 2016	4 645	80	-40	4 685

*) Additions and Disposals also include transfers of intangible fixed assets under construction.

(thous. CZK)	Opening Balance of depreciation	Additions	Disposals	Final Balance of depreciation	Allowances	Net book Value
Software	-1 879	-534	0	-2 413	0	2 232
Valuable rights	0	-4	0	-4	0	36
Intangible assets under construction	0	0	0	0	0	0
Total 2016	-1 879	-538	0	-2 417	0	2 268

4.2. Tangible assets

31. 12. 2017

(thous. CZK)	Opening Balance	Additions*)	Disposals	Final balance
Machinery and equipment	84 959	1 450	-1 191	85 218
Vehicles	17 839	0	-10 878	6 961
Other tangibles	5 953	0	-55	5 898
Adjustments to acquired tangible assets	9 638	0	0	9 638
Total 2017	118 389	1 450	-12 124	107 715

*) Additions and Disposals also include transfers of tangible fixed assets under construction.

(thous. CZK)	Opening balance of depreciation	Additions	Disposals	Final balance of depreciation	Net book value
Machinery and equipment	- 67 202	-9 998	811	-76 389	8 829
Vehicles	- 17 401	-256	10 721	-6 936	25
Other tangibles	-1 381	-1 097	39	-2 439	3 459
Adjustments to acquired tangible assets	-642	-643	0	-1 285	8 353
Total 2017	- 86 626	-11 994	11 571	-87 049	20 666

31. 12. 2016

(thous. CZK)	Opening balance	Additions *)	Disposals	Final balance
Machinery and equipment	85 124	0	-165	84 959
Vehicles	18 206	0	-367	17 839
Other tangibles	5 974	0	-21	5 953
Adjustments to acquired tangible assets	9 638	0	0	9 638
Total 2016	118 942	0	-553	118 389

*) Additions and Disposals also include transfers of tangible fixed assets under construction.

(thous. CZK)	Opening balance of depreciation	Additions	Disposals	Final balance of depreciation	Final balance
Machinery and equipment	- 60 626	-6 741	165	-67 202	17 757
Vehicles	- 17447	-224	270	-17 401	438
Other tangibles	-833	-552	4	-1 381	4 572
Adjustments to acquired tangible assets	-321	-321	0	-642	8 996
Total 2016	- 79 227	-7 838	439	-86 626	31 763

In the period 2017 and 1.7 – 31. 12. 2016 the Company received no subsidies for investment purposes, nor did it receive any significant tangible assets free of charge.

5. Receivables

At 31. 12. 2017 and at 31. 12. 2016, respectively, the Company had no receivables due after more than five years.

The overview of provisions for receivables is as follows:

(thous. CZK)	1.7.2016	Created	Used	31.12.2016	Created	Used	31.12.2017
Provision for subscribed capital receivables	1 000	0	0	1 000	0	0	1 000
Provision for trade receivables	0	0	0	0	6 156	0	6 156
Total	1 000	0	0	1 000	6 156	0	7 156

6. Current financial assets

The main bank used by the Company is the Czechoslovak Commercial Bank, Inc., where the Company has a current/overdraft account. An overdraft facility that allows the Company to have a negative balance is shown in Note 10 – Bank loans and overdrafts.

7. Equity

Registered capital at 31. 12. 2017 and at 31. 12. 2016 respectively, is 200 000 thous. CZK and the reserve fund is in amount of 10% of the registered capital.

During the period 2017 and 1. 7. – 31. 12. 2016 the following changes occurred in equity:

(thous. CZK)	Registered capital	Other capital contributions	Gains or losses from revaluation of assets and liabilities	Statutory reserve fund	Other funds from profit	Accumulated losses from previous years	Profit/loss of the current period	Total
Balance at 1. 7. 2016	200 000	35 543	7 807	20 000	1 097	-260	-16 231	247 956
Allocation of profits and movement between funds	0	2 970	0	0	3 090	-22 291	16 231	0
Drawing on funds	0	0	0	0	-1 024	0	0	-1024
Profit for the current period	0	0	0	0	0	0	8 727	8 727
Balance at 31. 12. 2016	200 000	38 513	7 807	20 000	3 163	-22 551	8 727	255 659
Allocation of profits and movement between funds	0	-340	0	0	5 247	3 820	-8 727	0
Drawing on funds	0	0	0	0	-5 449	0	0	-5 449
Profit for the current period	0	0	0	0	0	0	1 045	1 045
Balance at 31. 12. 2017	200 000	38 173	7807	20 000	2 961	-18 731	1 045	251 255

8. Reserves

(thous. CZK)	Balance as at 1. 7. 2016	Creation	Dissolution	Balance as at 31. 12. 2016	Creation	Dissolution	Balance as at 31. 12. 2017
Social and health insurance	7 123	7 670	-7 123	7 670	8 662	-7 670	8 662
Unpaid holidays	4 880	1 082	-4 880	1 082	1 504	-1 082	1 504
Reserve for severance payments incl. competition clause	6 703	9 550	-6 703	9 550	1 382	-9 550	1 382
Bonuses	9 691	5 523	-9 691	5 523	5 664	-5 523	5 664
Others	72 709	294	-23 219	49 784	45 182	-42 055	52 912
Total non-taxable reserves	101 106	24 119	-51 616	73 609	62 394	-65 880	70 124
Total	101 106	24 119	-51 616	73 609	62 394	-65 880	70 124

The reserve for social and health insurance contributions was made in particular for the unpaid part of contractual wages, rewards for profit, unused vacations and other bonuses related to wages.

The reserve for severance payments and competition clauses was created in connection with the gradual decrease of the number of employees in the following years, which was approved by the management of the Company and subsequently communicated to employees and trade unions.

Other reserves were created especially to cover risks known of as at 31.12. 2017 and probable losses from ongoing litigation and extrajudicial disputes and obligations arising from them.

The Company also created a reserve for the bonus element of salaries, consisting of the subjective components of wages including individual bonuses.

9. Current liabilities

At 31. 12. 2017 and 31. 12. 2016 respectively, the Company had short-term overdue liabilities totalling 512 thousand CZK and 195 thousand CZK respectively.

At 31. 12. 2017 and 31. 12. 2016 respectively, the Company had no long-term or short-term liabilities secured by collateral or guarantees in favour of the creditor.

Liabilities to related parties are disclosed in Note 15 – Related party transactions.

Estimated liabilities primarily relate to estimated compensation due to employees.

Liabilities for social security and health insurance amounted to 9,387 thousand CZK. This is the outstanding obligation from the wages for December 2017 which was paid in the following month.

At 31. 12. 2017 and 31. 12. 2016 respectively, the Company recorded no income tax arrears due to the local financial authorities.

10. Bank loans and overdrafts

10.1. Denominated in CZK

Bank	Conditions	Total limit thous. CZK	31. 12. 2016 thous. CZK	31.12.2017 thous. CZK
ČSOB, a.s.	Overdraft account	100 000	0	0

The Company has complied with all the conditions specified in the loan contract.

11. Income tax

The deferred tax asset (+) / liability (-) quantified using a 19% tax rate was as follows:

Items of deferred tax	2016			2017		
	Base thous. CZK	Deferred tax receivable thous. CZK	Deferred tax liability thous. CZK	Base thous. CZK	Deferred tax receivable thous. CZK	Deferred tax liability thous. CZK
Difference between the accounting and tax carrying value of fixed assets	-18 507	0	-3 516	-10 416	0	-1 979
Provisions for inventories	0	0	0	5 813	1 104	0
Other reserves	73 609	13 986	0	54 994	10 449	0
Tax loss	30 751	5 842	0	774	147	0
Total	85 853	19 828	-3 516		11 700	-1 979
Net deferred tax asset		16 312			9 721	

In 2017, the enterprise did not incur any corporate tax costs.

The Company reported for the period 1. 7. 2016 – 31. 12. 2016 an amount of 48 thous. CZK, reducing the corporate tax cost which was an overpayment for the previous period.

12. Leasing

The Company leases fixed assets, which are not recorded on the balance sheet (see Note 3.5 – Leasing and also Note 13 – Assets and liabilities not recognized in the balance sheet).

The amount of rent for property leased by the Company under operating leases as at 31. 12. 2017 and 31. 12. 2016 respectively, amounted to 6,392 thous. CZK and 1,942 thous. CZK respectively.

The Company did not have any financial leases as at 31. 12. 2017 and 31. 12. 2016 respectively.

13. Assets and liabilities not recognized in the balance sheet

The Company recorded in the operating records at 31. 12. 2017 and 31. 12. 2016 respectively, low value assets and off-balance sheet leased assets (recorded at cost) that are not recognized in the balance sheet.

(thous. CZK)	31. 12. 2016	31.12.2017
Leased/supporting assets	64 365	56 732
Low value tangible assets	17 614	20 125
Low value intangible assets	4 493	4 271
	86 472	82 042

At the balance sheet date, the Company was dealing with unrecovered infrastructure property of the Ministry of Interior of the Czech Republic at the acquisition cost of 14,480 thous. CZK. Due to the fact that the matter was not closed at the time of preparation of the financial statements and given the significant amount, this issue was disclosed in the financial statements.

14. Contingent liabilities

The Management Board is not aware of any other significant contingent liabilities of the Company as at 31. 12. 2017.

15. Inventories

The overview of inventory provisions is as follows:

(thous. CZK)	1.7.2016	Created	Used	31.12.2016	Created	Used	31.12.2017
Provision for work in progress	0	0	0	0	1 283	0	1 283
Provision for products in stock	0	0	0	0	4 530	0	4 530
Total	0	0	0	0	5 813	0	5 813

Work in progress in the amount of 18,078 thous. CZK is related to unfinished projects.

16. Employees

Breakdown of personnel costs:

	1.7.2016 - 31. 12. 2016		31. 12. 2017	
	Total employees	Management and DR*	Total employees	Management and DR*
Average number of employees in thous. CZK	368	5	369	12
Payroll costs	162 859	9 656	312 000	19 595
Social and health insurance	45 798	1 237	97 177	4 181
Social costs	1 945	24	6 138	21
Total personnel expenses	210 602	10 917	415 315	23 797

*Excluding costs for severance pay and non-competition clauses.

17. Transactions with related parties

In addition to the amounts referred to in Note 16 – Employees, the members and former members of the statutory and supervisory bodies and senior management of the Company have not received during the period 2017 and 1. 7. – 31. 12. 2016 any loans, guarantees advances or other benefits beyond the collective agreement, with the exception of Company management staff who have vehicles in private use for business and personal purposes. Furthermore, the Company concluded a collective professional liability insurance with respect to management staff.

In the normal course of business during the year, several transactions were carried out with related parties. The list of transactions carried out in 2017 and in the period 1. 7. – 31. 12. 2016 and the related receivables (excluding provisions) and liabilities to related parties is as follows:

31. 12. 2017	Revenues thous. CZK	Expenses thous. CZK	Receivables thous. CZK	Expenses thous. CZK
Ministry of Interior	- 1 013 338	4 740	102 048	-21
Czech post, s. p.	-4 416	13 011	899	-2 603
General registry management	-58 094	0	25	0
SPCSS, s.p.	0	422	0	-87
ÚPDNHPP	-280	0	309	0
Total	-1 076 128	18 173	103 281	-2 710

31. 12. 2016	Revenues thous. CZK	Expenses thous. CZK	Receivables thous. CZK	Expenses thous. CZK
Ministry of Interior	-517 577	628	163 205	0
Czech post, s. p.	-2 268	5 461	445	-2 793
General registry management	-39 926	0	8 845	0
SPCSS, s.p.	0	210	0	-85
Total	-559 771	6 299	172 495	-2 878

18. Remuneration of the audit firm

The total cost of the remuneration of the audit firm for the statutory audit at 31. 12. 2017 and at 31. 12. 2016 amounted to 260 thous. CZK and 350 thous. CZK respectively.

19. Cash Flow Statement

The Company for the purposes of the cash flow statement did not consider the 31. 12. 2017 and 31. 12. 2016 overdraft facilities as cash equivalents (see Note 9 – Bank loans and overdrafts).

20. Subsequent events

As of 22. 1. 2018, Alan Ilczyszyn was dismissed from the post of director of the state enterprise, and on 24. 1. 2018 Vladimir Dzurilla was appointed to this position.

Between the balance sheet date and the date of the financial statements, we did not identify any significant events that could have an impact on the reported financial statements for the accounting period 1. 1. 2017 – 31. 12. 2017.

Národní agentura pro komunikační a informační technologie, s. p.

Annual report

31. 12. 2017

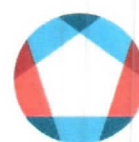
In Prague on 13. 4. 2018



.....
Vladimír Dzurilla

Director

Národní a komunikační informační technologie, s. p.



NAKIT

Národní agentura pro
komunikační a informační
technologie, s. p.