



NAKIT

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



ANNUAL REPORT 2019

Národní agentura pro komunikační a informační technologie, s. p. was established on 1 February 2016 as a service organization of the Ministry of the Interior of the Czech Republic. It provides services in the field of information and communication technologies (ICT) and is used by more than 40 regional offices. The NAKIT Statute defines a wide range of activities that permits it to establish new competencies enabling, for example, not only the operation and maintenance of information and communication technologies, but also 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, I present you with the annual report of the NAKIT agency for 2019.

In the year 2019 we continued to implement our 2018-2020 strategy with the aim of providing useful and secure services in order to meet our commitment to be a strategic partner for the Ministry of the Interior and Integrated Rescue System (such as Police of the Czech Republic and Fire rescue service of the Czech Republic) in the ICT field. We continued in changes from CMS 1 to CMS 2 and implemented new services in Portal obcana application. We were developing new business opportunities. Experts from NAKIT were participating in external projects such as Portal Prazana or business portal at Ministry of Industry and Trade. We were also participating in cyber-security project at Czech Ministry of Foreign Affairs.

We continue to work intensively on our inner development of corporate culture, particularly working environment, simplification of processes and administration. Together with our employees we are prospecting for the best solutions for our growth. The essential solution of digitalization of public administration – Program Digitalni Cesko – was entrusted to NAKIT who implemented it in its organizational chart.

Last year was successful for NAKIT thanks to more than four hundred colleagues who have contributed with their continuous ICT services for public administration and Integrated Rescue System. I would like to thank NAKIT employees for their sense of responsibility, their efforts and hard work in year 2019.

I would also like to thank all our business partners for their cooperation so far and I look forward to our customers' continuing trust in 2020.

Ing. Vladimír Dzurilla

Digitálně podepsal Ing. Vladimír Dzurilla
Datum: 2020.04.30 18:36:40 +02'00'

*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 in accordance with 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 entity is considered as a “Large Accounting Unit” under Act No. 563/1991 Coll., On Accounting, Section 1b (4).

The Company at 31. 12. 2019 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 foreign branches.

During 2019 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.

In accordance with Act no. 253/2008 Coll., On Certain Measures Against Money Laundering and the Financing of Terrorism, as amended, NAKIT fulfilled its obligation to retain data on its actual owner and record these in the manner and to the extent provided for by Act no. 304/2013 Coll., On the Public Registers of Legal Entities and Natural Persons (hereinafter referred to as the „Register Act“).

The Company expects an increase of current activities within the current scope of business.

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. 2019 – 31. 12. 2019.

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) 04767543, (hereafter the Company) prepared in accordance with Czech accounting regulations, which comprise the balance sheet as at 31. 12. 2019, the income statement, statement of changes in equity and cash flow statement for the period from 1. 1. 2019 to 31. 12. 2019 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, liabilities and equity of Národní agentura pro komunikační a informační technologie, s. p. as at 31. 12. 2019 and of the costs, revenues and its profit or loss and its cash flows for the period from 1. 1. 2019 to 31. 12. 2019, 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, Supervisory Board and Audit Committee 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 Director 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 and Audit Committee 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, Supervisory Board and Audit Committee 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.

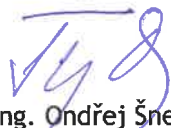
We are required to provide a statement to the Audit Committee about fulfilling all applicable ethical requirements regarding our independence and to inform the Audit Committee about all relationships and other matters which might be presumed to affect our independence and about any potential related issues.

In Prague, on 30th April 2020

Audit firm:


BDO Audit s. r. o.
Certificate No. 018

Partner:


Ing. Ondřej Šnejdar
Certificate No. 1987

Company: Národní agentura pro komunikační a informační technologie, s. p.
 Identification number: 04767543
 Legal form: State enterprise
 Scope of activity: Supply, development and operation of information and communication technology systems and related services, including infrastructure used in the performance of state (public) administration tasks.
 Balance sheet date: 31. 12. 2019
 Date of preparation of the Financial Statements: 30.4.2020

BALANCE SHEET

(in CZK thousands)

Title a	ASSETS b	31. 12. 2019			31. 12. 2018
		Gross 1	Adjust. 2	Net 3	Net 4
	TOTAL ASSETS	851 814	-117 036	734 778	516 706
B.	Fixed assets	179 303	-108 712	70 591	23 592
B. I.	Intangible fixed assets	19 873	-8 071	11 802	4 502
B. I. 2.	Valuable rights	17 430	-8 071	9 359	4 502
B. I. 2.1.	Software	10 121	-7 694	2 427	4 233
B. I. 2.2.	Other valuable rights	7 309	-377	6 932	269
B I 5	Advance payments for intang. fixed assets and intang. fixed assets in progress	2 443	0	2 443	0
B I 5.2	Intangible fixed assets in progress	2 443	0	2 443	0
B. II.	Tangible fixed assets	159 430	-100 641	58 789	19 090
B. II. 2.	Tangible movable assets and their groups	144 683	-98 071	46 612	11 113
B. II. 3.	Adjustment to acquired assets	9 638	-2 570	7 068	7 710
B. II.	Advance payments for tangible fixed assets and tangible fixed assets under construction	5 109	0	5 109	267
B. II. 5.2	Tangible fixed assets under construction	5 109	0	5 109	267
C.	Current assets	607 988	-8 324	599 664	450 489
C. I.	Inventory	26 572	-3 918	22 654	4 892
C. I. 1.	Materials	88	0	88	81
C. I. 2.	Work in progress and semi-finished products	145	0	145	4 811
C. I. 3.	Finished products and merchandise	26 339	-3 918	22 421	0
C. I. 3.2.	Merchandise	26 339	-3 918	22 421	0
C. II.	Receivables	288 623	-4 406	284 217	128 334
C. II. 1.	Long-term receivables	0	0	0	5 170
C. II. 1.4.	Deferred tax receivable	0	0	0	5 153
C. II. 1.5.	Other receivables	71	0	71	17
C. II. 1.5. 4.	Other receivables	71	0	71	17
C. II. 2.	Short-term receivables	288 552	-4 406	284 146	123 164
C. II. 2.1.	Trade receivables	5 406	-4 406	1 000	79
C. II. 2.2.	Receivables - controlled and controlling entities	50 359	0	50 359	42 643
C. II. 2.4.	Other receivables	232 787	0	232 787	80 442
C. II. 2.4. 3.	State - tax receivables	10 925	0	10 925	0
C. II. 2.4. 4.	Short-term advance payments	11 878	0	11 878	10 742
C. II. 2.4. 5.	Estimated receivables	209 883	0	209 883	69 457
C. II. 2.4. 6.	Other receivables	101	0	101	243
C. IV.	Cash in hand and bank accounts	292 793	0	292 793	317 263
C. IV. 1.	Cash in hand	13	0	13	11
C. IV. 2.	Bank accounts	292 779	0	292 779	317 252
D. I.	Accruals of assets	64 523	0	64 523	42 625
D. I. 1.	Deferred expenses	64 523	0	64 523	42 625

Title a	LIABILITIES b	31. 12. 2019	31. 12. 2018
		5	6
	TOTAL EQUITY AND LIABILITIES	734 778	516 706
A.	Equity	257 759	290 302
A. I.	Registered capital	200 000	200 000
A. I. 1.	Registered capital	200 000	200 000
A. II.	Share premium and capital contributions	41 123	41 502
A. II. 2.	Capital contributions	41 123	41 502
A. II. 2.1.	Other capital contributions	33 316	33 695
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	22 744	22 172
A. III. 1.	Other reserve funds	20 000	19 000
A. III. 2.	Statutory and other reserves	2 744	3 172
A. IV.	Profit/loss – previous years (+/-)	-8 731	-18 731
A. IV. 2.	Accumulated losses from previous years (+/-)	-8 731	-18 731
A. V.	Profit/loss – current year (+/-)	4 795	45 359
B.	Liabilities	295 838	221 477
B. I.	Provisions	59 279	48 500
B. I. 2.	Income tax provision	0	4 393
B. I. 4.	Other provisions	59 279	44 107
C.	Liabilities	236 560	172 977
C. I.	Long-term liabilities	208	0
C. I. 8.	Deferred tax liability	208	0
C. II.	Short-term liabilities	236 351	172 977
C. II. 4.	Trade payables	142 998	106 114
C. II. 6.	Liabilities – controlled and controlling entities	29 269	5 002
C. II. 8.	Other liabilities	64 084	61 861
C. II. 8.3.	Liabilities to employees	20 173	18 854
C. II. 8.4.	Social security and health insurance liabilities	11 023	9 641
C. II. 8.5.	Due to state, taxes and subsidies	4 474	13 160
C. II. 8.6.	Estimated liabilities	28 271	20 148
C. II. 8.7.	Other liabilities	143	58
D.	Accruals of liabilities	179 009	4 927
D. 1.	Deferred expenses	60 085	1 690
D. 2.	Deferred revenue	118 924	3 237

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

Identification number: 04767543

Legal form: State enterprise

Scope of activity: Supply, development and operation of information and communication technology systems and related services, including infrastructure used in the performance of state (public) administration tasks.

Balance sheet date: 31. 12. 2019

Date of preparation of the Financial Statements: 30.4.2020

INCOME STATEMENT

(in CZK thousands)

Title	TEXT	Current	Prior
		31. 12. 2019	31. 12. 2018
		1	1
I.	Sales of own products and services	1 224 831	1 154 452
II.	Sales of goods	54 786	47 870
A.	Production consumption	774 808	690 944
A. 1.	Cost of goods sold	54 608	47 704
A. 2.	Raw materials and consumption	19 488	17 703
A. 3.	Services	700 712	625 537
B.	Change in own production inventory (+/-)	4 666	14 550
D.	Personnel expenses	464 180	448 875
D. 1.	Wages and salaries	343 588	333 994
D. 2.	Social security expenses, health insurance and other expenses	120 592	114 881
D. 2.1.	Social security expenses and health insurance	113 970	108 761
D. 2.2.	Other expenses	6 622	6 120
E.	Valuation adjustments relating to operating activities	8 467	4 886
E. 1.	Valuation adjustments of fixed tangible and intangible assets	10 837	7 161
E. 1.1.	Valuation adjustments of fixed tangible and intangible assets - permanent	10 837	7 161
E. 2.	Valuation adjustments of inventories	-612	-1 283
E. 3.	Valuation adjustments of receivables	-1 758	-992
III.	Other operating income	4 173	1 590
III. 3.	Other operating income	4 173	1 590
F.	Other operating expenses	18 851	-9 430
F. 3.	Taxes and fees	280	1 998
F. 4.	Provisions relating to operating activities and complex deferred expenses	15 172	-26 017
F. 5.	Other operating expenses	3 401	14 588
*	Operating profit/loss (+/-)	12 816	54 088
VI.	Interest income and similar income	486	211
VI. 2.	Other interest and similar income	486	211
VII.	Other financial income	0	46
K.	Other financial expenses	22	25
*	Profit/loss from financial operations (transactions) (+/-)	464	232
**	Profit/loss before tax (+/-)	13 280	54 320
L.	Income tax	8 485	8 961
L. 1.	Income tax - due	3 124	4 393
L. 2.	Income tax – deferred (+/-)	5 361	4 568
**	Profit/loss after tax (+/-)	4 795	45 359
***	Profit/loss of current accounting period	4 795	45 359
*	Net turnover = I + II + III + IV + V + VI + VII	1 284 276	1 204 169

31. 12. 2019 31. 12. 2018

P	Opening balance of cash and cash equivalents	317 263	284 439
Cash flows from operating activities			
Z	Profit or loss from ordinary activities before tax	13 280	54 320
A.1	Adjustments for non-cash transactions	25 222	-20 685
A.1.1	Depreciation of fixed assets and amortization of adjustments to acquired assets	10 837	7 194
A.1.2	Change in provisions and reserves	12 802	-28 292
A.1.5	Interest expense and interest income excluding capitalized interest	-486	-211
A.1.6	Adjustments for other non-cash transactions	-612	624
A *	Net operating cash flow before tax	35 821	33 635
A.2	Change in working capital	39 061	8 855
A.2.1	Change in operating receivables, assets (CZ) and estimated receivables	-181 177	-30 560
A.2.1.1	Change in operating receivables (excl. estimated receivables)	-18 852	4 585
A.2.1.2	Change in assets (CZ)	-21 898	-13 782
A.2.1.3	Change in estimated receivables	-140 426	-21 363
A.2.2	Change in operating payables, liabilities (CZ) and estimated payables	237 388	24 825
A.2.2.1	Change in operating payables (excl. estimated payables)	55 183	32 220
A.2.2.2	Change in liabilities (CZ)	174 082	4 927
A.2.2.3	Change in estimated payables	8 123	-12 322
A.2.3	Change in inventories	-17 150	14 590
A.2.3.1	Change in inventories (excl. unfinished inventories and work-in-progress)	-22 428	40
A.2.3.2	Unfinished inventories and work-in-progress	5 278	14 550
A **	Net operating cash flow	74 883	42 490
A.4	Interest received	486	211
A.5	Income tax paid from ordinary operations and supplementary tax for previous periods	-7 448	0
A ***	Net operating cash flows	67 921	42 701
Cash flows from investing activities			
B.1	Fixed assets expenditures	-57 225	-4 565
B ***	Net cash flows from investing activities	-57 225	-4 565
Cash flows from financing activities			
C.2	Impact of changes in equity	-35 166	-5 312
C.2.5	Payments from capital funds	-35 166	-5 312
C ***	Net financial cash flows	-35 166	-5 312
F	Net increase/decrease in cash and cash equivalents	-24 470	32 824
R	Closing balance of cash and cash equivalents	292 793	317 263

STATEMENT OF CHANGES IN EQUITY

(CZK thous.)	Share capital	Other capital funds	Restatement differences from revaluation of assets and liabilities	Statutory reserve	Other profit funds	Shareholder fund	Accumulated losses brought forward	Profit or loss for the current year	Total
Balance as at 31.12. 2017	200 000	38 173	7807	20 000	2 961	0	-18 731	1 045	251 255
Allocation of profits and movement between funds	0	0	0	0	5 523	0	0	-1 045	4 478
Drawing on funds	0	-4 478	0	-1 000	5 312	0	0	0	-10 790
Profit for the current period	0	0	0	0	0	0	0	45 359	45 359
Balance as at 31. 12. 2018	200 000	33 695	7807	19 000	3 172	0	-18 731	45 359	290 302
Allocation of profits and movement between funds	0	0	0	1 000	5 523	28 836	10 000	-45 359	0
Drawing on funds except shareh. fund	0	-379	0	0	5 951	0	0	0	-6 330
Profit for the current period	0	0	0	0	0	0	0	4 795	4 795
Drawing on shareh. fund	0	0	0	0	0	-28 836	0	0	-28 836
Balance as at 31. 12. 2019	200 000	33 316	7807	20 000	2 744	0	-8 731	4 795	259 931

NOTES TO THE FINANCIAL STATEMENTS

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. 2019 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 purchasing 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 the 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 the parallel realization of private networks and related infrastructure.

The statutory bodies 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 (including internal audit department) as at 31. 12. 2019 is as follows:



Members of statutory bodies as at 31. 12. 2019:

Name	Position	Date of creation of the function	Recorded in the commercial register
Ing. Vladimír Dzurilla	Director	24.1.2018	17.3.2018
Ing. Antonín Chlum	Deputy Director	10.8.2017	30.9.2017

The Company is represented by the Director or the Deputy Director in the Director's absence.

During 2019, there were no changes in top management.

The structure of the supervisory board as at 31. 12. 2019 was as follows:

Name	Position	Date of creation of the function	Recorded in the commercial register
JUDr. Ing. Jiří Nováček	Chairman	1.7.2016	1.7.2016
brig. gen. Mgr. Bc. Slavomír Bell, MSc.	Deputy chairman	15.10.2018	22.12.2018
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

There were no changes in the supervisory board during 2019:

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. relating to this Act and according to Czech accounting standards for entrepreneurs, as amended. 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. – 31.12.2019, the comparable period is 1.1 – 31.12.2018.

3. Accounting policies

The valuation methods used by the Company in preparation of the financial statements as at 31. 12. 2019 are as follows:

3.1. Intangible fixed assets

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

Intangible fixed 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 spans a longer period.

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

The amortization schedule is updated throughout the use of the 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

Acquired tangible fixed assets are initially recorded at cost, which includes the purchase price and additional costs incurred in connection with the 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 the 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 improvements 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 for 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.

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 business 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 welfare fund (hereinafter "WF"). The creation of a Welfare Fund is governed by § 16 of Decree no.114/2002 Coll. and § 3 of Decree no.310/1995 Coll. on welfare funds, 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 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 advances paid for income tax if they are lower than the advance provision for income taxes.

Long-term liabilities including 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 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 currencies

Transactions in foreign currencies are converted 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 income

Revenues and expenses are generally accounted for 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. the 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 17 – 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 overdrafts 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 2019 and 2018 respectively, 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. Fixed assets

4.1. Intangible assets

31. 12. 2019

(CZK thous.)	Opening balance	Additions *)	Disposals *)	Final balance
Software	10 022	99	0	10 121
Goodwill	300	7 009	0	7 309
Intangible assets under construction	0	9 550	-7 107	2 443
Total 2019	10 322	16 658	-7 107	19 873

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

(CZK thous.)	Opening balance of amortisation	Additions	Disposals	Final balance of amortisation	Net book value
Software	-5 789	-1 906	0	-7 694	2 427
Goodwill	-31	-346	0	-377	6 932
Intangible assets under construction	0	0	0	0	2 243
Total 2019	-5 820	-2 252	0	-8 071	11 802

31. 12. 2018

(CZK thous.)	Opening balance	Additions *)	Disposals *)	Final balance
Software	9 332	690	0	10 022
Goodwill	40	260	0	300

Intangible assets under construction	0	950	-950	0
Total 2018	9 372	1 900	-950	10 322

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

(CZK thous.)	Opening balance of amortisation	Additions	Disposals	Final balance of amortisation	Net book value
Software	-3 803	-1 986	0	-5 789	4 233
Goodwill	- 14	-17	0	-31	269
Intangible assets under construction	0	0	0	0	0
Total 2018	-3 817	-2 003	0	-5 820	4 502

4.2. Tangible assets

31. 12. 2019

(CZK thous.)	Opening balance	Additions *)	Disposals *)	Final balance
Machinery and equipment	88 565	43 445	-84	131 926
Vehicles	6 961	0	0	6 961
Other tangibles	5 831	0	-35	5 796
Valuation difference on acquired assets	9 638	0	0	9 638
Tangible fixed assets under construction	267	47 674	-42 832	5 109
Total 2019	111 262	91 119	-42 951	159 430

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

(CZK thous.)	Opening balance of depreciation	Additions	Disposals	Final balance of depreciation	Net book value
Machinery and equipment	-79 789	-6 843	60	-86 572	45 354
Vehicles	-6 961	0	0	-6 961	0
Other tangibles	-3 494	-1 078	34	-4 538	1 258
Depreciation of the valuation difference on acquired assets	-1 928	-642	0	-2 570	7 068
Tangible fixed assets under construction	0	0	0	0	5 109
Total 2019	-92 172	-8 563	94	-100 641	58 789

31. 12. 2018

(CZK thous.)	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
Valuation difference on acquired assets	9 638	0	0	9 638

Tangible fixed assets under construction	0	3 614	-3 347	267
Total 2018	107 715	6 961	-3 414	111 262

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

(CZK thous.)	Opening balance of depreciation	Additions	Disposals	Final balance of depreciation	Net book value
Machinery and equipment	-76 389	-3 400	0	-79 789	8 776
Vehicles	-6 936	-25	0	-6 961	0
Other tangibles	-2 439	-1 090	35	-3 494	2 337
Depreciation of the valuation difference on acquired assets	-1 285	-643	0	-1 928	7 710
Tangible fixed assets under construction	0	0	0	0	267
Total 2018	-87 049	-5 158	35	-92 172	19 090

In the period 2019 and 2018 respectively, the Company received no subsidies for investment purposes, nor did it receive any significant tangible assets free of charge.

5. Receivables

At 31. 12. 2019 and at 31. 12. 2018 respectively, the Company had no receivables due after more than five years.

In 2019, the Company received no subsidies for operating purposes. In 2018, the Company received CZK 624 thousand.

The summary of provisions for receivables is as follows:

(CZK thous.)	31.12.2017	Created	Used	31.12.2018	Created	Used	31.12.2019
Provision for subscribed capital receivables	1 000	0	-1 000	0	0	0	0
Provision for trade receivables	6 156	8	0	6 164	0	-1 758	4 406
Total	7 156	8	-1 000	6 164	0	-1 758	4 406

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 as at 31. 12. 2019 and as at 31. 12. 2018 respectively, is CZK 200 000 thousand and the reserve fund as at 31.12. 2019 amounts to CZK 20 000 thousand.

Changes in equity during 2018 and 2019 are disclosed in the Statement of Changes in Equity.

8. Reserves

(CZK thous.)	Balance as at 31. 12. 2017	Creation	Dissolution / use	Balance as at 31. 12. 2018	Creation	Dissolution / use	Balance as at 31. 12. 2019
Social and health insurance	8 662	3 734	-6 481	5 915	3 463	-3 295	6 083
Unused vacations	1 504	497	0	2 001	2 194	-2 001	2 194
Reserve for severance payments incl. competition clause	1 382	0	-1 382	0	0	0	0
Bonus elements of salaries	5 664	8 587	-4 501	9 750	5 031	-4 151	10 630
Other	52 912	4 763	-31 234	26 441	16 076	-2 145	40 372
Total	70 124	17 581	-43 598	44 107	26 764	-11 592	59 279
Corporate income tax return reserves	0	4 393	0	4 393	0	-4 393	0
Total	70 124	21 974	-43 598	48 500	26 764	-15 985	59 279

* Note. The company paid advances of corporate income tax in the amount of CZK 2 492 ths. The estimated income tax payable was CZK 2 560 thousand. CZK. The balance sheet shows the amount of the difference, i.e. 68 ths. CZK.

The reserve for social and health insurance contributions was made in particular for the unpaid part of contractual wages, rewards for profits, 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 specially to cover risks known of as at 31.12. 2019 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

As at 31. 12. 2019 and at 31. 12. 2018 respectively, the Company had short-term overdue liabilities totalling CZK 60 thousand and CZK 84 thousand, respectively.

As at 31. 12. 2019 and at 31. 12. 2018 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 CZK 11 023 thousand. This is the outstanding obligation from the wages for December 2019 which will have been paid in the following month.

At 31. 12. 2019 and 31. 12. 2018 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	Terms/Conditions	Total limit CZK thous.	31. 12. 2019 CZK thous.	31.12.2018 CZK thous
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

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

Items of deferred tax	2019			2018		
	Base CZK thous.	Deferred tax receivable CZK thous.	Deferred tax liability CZK thous.	Base CZK thous.	Deferred tax receivable CZK thous.	Deferred tax liability CZK thous.
Difference between the accounting and tax carrying value of fixed assets	-20 003	0	-3 801	-5 483	0	-1 042
Provisions for inventories	0	0	0	4 530	861	0
Other reserves	18 906	3 592	0	28 076	5 334	0
Tax loss	0	0	0	0	0	0
Total	- 1 097	3 592	-3 801	27 123	6 195	-1 042
Net deferred tax asset			- 208		5 153	

In 2019, the Company reported corporate income tax expenses of CZK 3 124 thousand. In 2018, the Company reported CZK 4 393 thousand.

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. 2019 and at 31. 12. 2018 respectively, amounted to CZK 8 021 thousand and CZK 6 494 thousand, respectively.

The Company did not have any financial leases as at 31. 12. 2019 and 31. 12. 2018 respectively.

13. Assets and liabilities not recognized in the balance sheet

The Company recorded in the operating records at 31. 12. 2019 and 31. 12. 2018 respectively, low value assets and off-balance sheet leased assets (recorded at cost) that are not recognized in the balance sheet.

(CZK thous.)	31. 12. 2019	31.12.2018
Leased/supporting assets	37 755	41 494
Low value tangible assets	30 209	23 132
Low value intangible assets	4 611	4 695
Total	72 575	69 321

14. Contingent liabilities

The Management Board is not aware of any other significant contingent liabilities of the Company as at 31. 12. 2019.

15. Inventories

Summary of inventory provisions is as follows:

(CZK thous.)	31.12.2017	Created	Used	31.12.2018	Created	Used	31.12.2019
Provision for work in progress	1 283	0	-1 283	0	0	0	0
Provision for products in stock	4 530	0	0	4 530	0	-612	3 918
Total	5 813	0	-1 283	4 530	0	-612	3 918

16. Employees

Breakdown of personnel costs:

Average number of employees in CZK thous.	31. 12. 2019		31. 12. 2018	
	Total employees	Management and DR*	Total employees	Management and DR*
	412	12	383	12
Payroll costs	343 588	16 589	333 994	13 817
Social and health insurance	120 592	4 707	108 761	4 069
Social costs	6 622	275	6 120	126
Total personnel expenses	464 180	21 571	448 875	18 012

*excluding costs for severance pay and non-competing clauses

Note: Management is defined as level R and R-1

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 2019 and 2018 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 has 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 2019 and 2018 and the related receivables (excluding provisions) and liabilities to related parties is as follows:

31. 12. 2019	Revenues CZK thous.	Expenses CZK thous.	Receivables CZK thous.	Liabilities CZK thous.
Ministry of Interior	-1 357 692	10 173	263 613	-180 612
Czech Post, s. p.	-2 208	5 267	540	-111
General registry management	-34 619	0	422	0
SPCSS, s.p.	0	586	216	0
Other	-487	0	0	0
Total	-1 395 007	16 025	264 790	-180 723

31. 12. 2018	Revenues CZK thous.	Expenses CZK thous.	Receivables CZK thous.	Liabilities CZK thous.
Ministry of Interior	-1 198 505	22 199	112 124	-6 267
Czech Post, s. p.	-4 416	5 219	908	-1 027
General registry management	-38 909	0	361	0
SPCSS, s.p.	0	372	0	-77
Other	-1 933	0	0	0
Total	-1 243 763	27 790	113 393	-7 371

18. Remuneration of the audit firm

The total cost of the remuneration of the audit firm for the statutory audit at 31. 12. 2019 and at 31. 12. 2018 amounted to CZK 260 thousand for each period.

19. Cash flow statement

The Company, for the purposes of the cash flow statement, did not consider the 31. 12. 2019 and 31. 12. 2018 overdraft facilities as cash equivalents (see Note 9 – Bank loans and overdrafts).

20. Subsequent events

The Czech government in accordance with articles 5 and 6 of constitutional law No. 110/1998 Coll., regarding the safety of the Czech Republic proclaimed an emergency status due to health threats with regard to the coronavirus (SARS CoV-2) for a period of 30 days – from 12th March 2020. Due to the ongoing emergency status all the impacts on the future business of the Company are being analyzed and conclusions will be made to minimize the negative impact on the Company.

In Prague on 30. 4. 2020

Ing. Vladimír Dzurilla Digitálně podepsal Ing. Vladimír Dzurilla
Datum: 2020.04.30 18:37:13 +02'00'

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Ing. Vladimír Dzurilla

Director

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