

PATRIA FINANCE, A. S. AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
AND REPORT OF INDEPENDENT AUDITORS**

31 DECEMBER 2004

REPORT OF INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF PATRIA FINANCE, A.S.

We have audited the accompanying balance sheet of Patria Finance, a.s. ("the Company") and its subsidiaries ("the Group") as at 31 December 2004, the related income statement, changes in equity and cash flows for the year then ended ("the financial statements"). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2004, and the results of its operations, its changes in equity and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

10 June 2005



PricewaterhouseCoopers Audit, s.r.o.
represented by



Petr Kříž
auditor, licence no. 1140

PATRIA FINANCE, A. S. AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT

31 DECEMBER 2004

	Notes	Year ended 31 December	
		<u>2004</u>	<u>2003</u>
		CZK'000	CZK'000
Interest income	4	18,693	13,998
Interest expense	4	<u>(4,786)</u>	<u>(8,172)</u>
Net interest income		13,907	5,826
Fee and commission income	5	83,763	80,652
Fee and commission expense	5	<u>(12,356)</u>	<u>(10,060)</u>
Net fee and commission income		71,407	70,592
Dividend income	6	3,769	682
Net trading income	7	129,265	77,711
Gains less losses from investment securities	8	921	5,206
Other income	9	<u>9,807</u>	<u>9,060</u>
Operating income		229,076	169,077
Other operating expenses	10	<u>(174,627)</u>	<u>(146,088)</u>
Profit from operations		54,449	22,989
Share of results of associates before tax	17	<u>61,015</u>	<u>17,855</u>
Profit from ordinary activities before tax		115,464	40,844
Income tax expense	11	<u>(34,987)</u>	<u>(17,040)</u>
Net profit		<u>80,477</u>	<u>23,804</u>

The accompanying notes are an integral part of these financial statements.

PATRIA FINANCE, A. S. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

31 DECEMBER 2004

	Notes	As at 31 December	
		2004 CZK'000	2003 CZK'000
ASSETS			
Cash and cash equivalents	12	187,036	101,024
Trade receivables	13	905,957	603,790
Trading securities	15	41,359	35,037
Investment securities - available for sale	16	10,714	37,490
- held to maturity	16	-	100,169
Investments in associates	17	232,541	186,882
Property, plant and equipment	18	4,791	8,965
Intangible assets	19	8,052	9,180
Deferred tax asset	26	1,488	1,747
Current tax asset		4,198	2,227
Other assets	20	7,375	36,912
Total assets		<u>1,403,511</u>	<u>1,123,423</u>
LIABILITIES			
Short-term borrowings	21	14,715	3,247
Trade payables	22	749,017	554,070
Trading liabilities		2,816	3,945
Promissory notes issued	23	7,742	32,589
Other liabilities	24	45,195	37,145
Provisions	25	4,896	3,593
Current tax liability		10,160	-
Deferred tax liability	26	-	341
Total liabilities		<u>834,541</u>	<u>634,930</u>
SHAREHOLDERS' EQUITY			
Ordinary shares	27	100,000	100,000
Share premium		3,443	3,443
Statutory reserves		23,921	23,138
Other reserves		4,000	4,000
Capital contribution		30,321	30,321
Retained earnings		407,285	327,591
Total shareholders' equity		<u>568,970</u>	<u>488,493</u>
Total equity and liabilities		<u>1,403,511</u>	<u>1,123,423</u>

These financial statements have been approved for issue by the Board of Directors on 10 June 2005.

The accompanying notes are an integral part of these financial statements.

PATRIA FINANCE, A. S. AND SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT

31 DECEMBER 2004

	<u>Notes</u>	<u>Year ended 31 December</u>	
		<u>2004</u>	<u>2003</u>
		<u>CZK'000</u>	<u>CZK'000</u>
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from commissions, corporate advisory services and other income		135,561	92,267
Interest receipts		18,693	13,160
Interest payments		(4,786)	(8,491)
Dividend receipts		3,769	682
Net purchase of trading securities		(5,052)	45,823
Net proceeds from sales of trading securities		86,889	49,468
Cash payments to employees and suppliers		(158,765)	(121,447)
Income taxes paid		<u>(11,523)</u>	<u>(8,665)</u>
OPERATING CASH INFLOW BEFORE CHANGES IN OPERATING ASSETS		64,786	62,797
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Net increase in trade receivables		(302,167)	(410,675)
Net decrease in other assets		4,856	2,626
Net increase in trade payables		194,947	365,358
Net increase / (decrease) in other liabilities and provisions		<u>12,556</u>	<u>(19,648)</u>
NET CASH GENERATED BY OPERATING ACTIVITIES		(25,022)	458
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities		-	(99,012)
Sale of investment securities		127,866	270,206
Loans to employees		(119)	17,478
Purchase of property, plant, equipment		(3,334)	(5,531)
Proceeds from sale of property, plant, equipment		<u>-</u>	<u>17</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES		124,413	183,158
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings		5,310	-
Repayment of short-term borrowings		<u>(24,847)</u>	<u>(186,775)</u>
CASH USED IN FINANCING ACTIVITIES		(19,537)	(186,775)
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS		79,854	(3,159)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	29	<u>97,777</u>	<u>100,936</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	29	<u>177,631</u>	<u>97,777</u>

The accompanying notes are an integral part of these financial statements.

PATRIA FINANCE, A. S. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

31 DECEMBER 2004

	<u>Share capital</u> CZK'000	<u>Share premium</u> CZK'000	<u>Statutory reserves</u> CZK'000	<u>Other reserves</u> CZK'000	<u>Capital contribution</u> CZK'000	<u>Retained earnings</u> CZK'000	<u>Total equity</u> CZK'000
At 1 January 2003	100,000	3,443	23,138	4,000	30,321	303,787	464,689
Net income	-	-	-	-	-	<u>23,804</u>	<u>23,804</u>
At 31 December 2003	100,000	3,443	23,138	4,000	30,321	327,591	488,493
Additions to statutory reserves	-	-	783	-	-	(783)	-
Net income	-	-	-	-	-	<u>80,477</u>	<u>80,477</u>
At 31 December 2004	<u>100,000</u>	<u>3,443</u>	<u>23,921</u>	<u>4,000</u>	<u>30,321</u>	<u>407,285</u>	<u>568,970</u>

The accompanying notes are an integral part of these financial statements.

PATRIA FINANCE, A. S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

1 INTRODUCTION

Patria Group (“the Group”) provides trading and brokerage activities, investment banking, corporate finance and investment advisory services.

The parent company of the Group is Patria Finance, a.s. (“the Company”) which was incorporated as a joint stock company under the laws of the Czech Republic in 1994. The Company is headquartered at Prague 2, Škrétkova 12. The Company is a member of and a shareholder in the Prague Stock Exchange.

The ultimate parent company is Almanij NV, which is headquartered in Belgium (Note 27).

On 23 December 2004, Almanij and KBC Bank and Insurance Holding Company’s Board of Directors decided on an intention to restructure the current shape of the group by merging Almanij and KBC Bank and Insurance Holding Company through acquisition of Almanij by KBC Bank and Insurance Holding Company and the creation of the new KBC Group NV. Almanij and KBC Bank and Insurance Holding Company’s extraordinary General Meetings agreed on the merger on 2 March 2005. Following the merger, Almanij was dissolved and it lost its controlling position over Patria Finance, a.s., which is now held by KBC Group NV.

2 ACCOUNTING POLICIES

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

(a) Basis of presentation

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention as modified by the revaluation of available for sale investment securities, financial assets and financial liabilities held for trading and all derivative contracts to fair value.

The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company’s accounting policies.

PATRIA FINANCE, A. S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

2 ACCOUNTING POLICIES (continued)

(b) Consolidation

The consolidated group financial statements incorporate the financial statements of the Company and enterprises controlled by the Company, i.e. subsidiaries (“the Group”). Subsidiary undertakings, being those companies in which the Company, directly or indirectly, has an interest of more than one half of the voting rights or otherwise has the power to exercise control over the operations, are consolidated from the date on which effective control is transferred to the Company. They are deconsolidated from the date the control ceases.

All material inter-company transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated.

Associates are all entities over which the Group has a significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost.

The Group’s share of its associates’ post acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The Company is consolidated with the following Czech subsidiaries and equity accounts for the following Czech associates:

<u>Subsidiaries</u>	<u>Principal activity</u>	<u>Share</u> %
Patria Finance CF, a.s.	Agency and consulting services	100
Patria Online, a.s.	Online provider of investment information	100
Patria Direct, a.s.	On-line brokerage services	100
<u>Associates</u>		
ČSOB Asset Management, a.s., člen skupiny ČSOB (“ČSOB AM“)	Asset management	79.4
Burza cenných papírů Praha, a.s. (“PSE”)	Stock exchange	22.5

PATRIA FINANCE, A. S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

2 ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

All subsidiaries are headquartered at Prague 2, Škrétova 12.

In accordance with the integration plans of KBC Group's asset management activities in the Czech Republic Patria Asset Management, a.s. (formerly a 100% subsidiary of the Company) acquired 100% of shares of OB Invest (formerly a 100% subsidiary of Československá obchodní banka, a.s. ("ČSOB")) during 2002. The share capital of Patria Asset Management, a.s. was increased by CZK 7 million. The issue price of 7 shares was CZK 61.4 million and was fully underwritten by ČSOB, which, as a result, obtained a 20.59% equity share in Patria Asset Management, a.s. The cost of the issue price was settled by a non-monetary contribution of ČSOB, which provided a 100% share in OB Invest. The contribution resulting from the combination of Patria Asset Management, a.s. and OB Invest was CZK 30.3 million. Subsequently Patria Asset Management, a.s. changed its name to ČSOB Asset Management, a.s., člen skupiny ČSOB.

The share capital increase was finalised on 28 August 2002 and from this date ČSOB has controlled ČSOB AM. The Company owns, based on a Controlling agreement between the Company and ČSOB, 20% of the voting rights of ČSOB AM, maintaining a significant influence and thus treats ČSOB AM as an associate.

(c) Goodwill

Goodwill represents an excess in the cost of an acquisition over the fair value of the Group's share of net assets of an acquired business or subsidiary company at the date of its acquisition. Goodwill is recognised as an asset and amortised on a straight-line basis over its estimated useful life.

Negative goodwill represents an excess in fair value of the Group's share of the net assets of an acquired business or subsidiary company over its cost of acquisition at its date of acquisition. Negative goodwill on an acquired entity that exceeds reliably measurable future losses and expenses (not reflected in its identifiable assets and liabilities) and the fair values of its non-monetary assets is recognised in the income statement immediately.

(d) Foreign currencies

Foreign currency transactions are accounted for at the exchange rate on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

PATRIA FINANCE, A. S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

2 ACCOUNTING POLICIES (continued)

(e) Derivative financial instruments

Derivative financial instruments including equity forwards, forward rate agreements (FRA) and other derivative financial instruments are initially recognised in the balance sheet at cost (including transaction costs) and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in the fair value of derivatives are included in net trading income.

The Company does not write options and does not use hedge accounting.

Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond or foreign currency rent contract, are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealised gains and losses reported in income.

(f) Offsetting financial instruments

Financial assets and liabilities are offset and their net amount is reported in the balance sheet, when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(g) Interest income and expense

Interest income and expense is recognised in the income statement for all interest bearing instruments using the effective interest method based on the actual purchase price.

Interest income includes interest income on reverse repo transactions, on short-term money market deposits, on margin trading loans provided to clients and accrued coupon and discount/premium on all fixed income instruments.

Interest expense includes interest expense on repo operations, on short-term money market loans and on promissory notes issued.

PATRIA FINANCE, A. S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

2 ACCOUNTING POLICIES (continued)

(h) Fee and commission income

Fees and commissions are generally recognised on an accrual basis when the services have been provided. Commissions and fees arising from negotiating or participating in the negotiation of a transaction for a third party (e.g. acquisition of shares or other securities or the purchase or sale of businesses) are recognised in the form of retainer and success fees. Retainer fees are recognised on an accrual basis, whilst success fees are recognised upon completion of the underlying transaction when the income arising therefrom is certain and can be reliably measured.

Fees and commissions arising from trading purchases are included in the acquisition cost of the related security and recognized on an accrual basis when a security is sold. All fees and commissions arising from trading activities are reported within net trading income.

(i) Trading securities

Trading securities are securities which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin or securities included in a portfolio in which a pattern of short-term profit taking exists. Trading securities are initially recognised at cost (which includes transaction costs) and are subsequently re-measured at fair value. The fair values of quoted trading securities in active markets are based on bid prices. If the market for a security is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis or other valuation techniques commonly used by market participants. All related realised and unrealised gains and losses are included in net trading income. Interest earned whilst holding trading securities is reported as interest income. Dividends received are included in dividend income.

All regular purchases and sales of securities are recognised on their settlement dates. All other purchases and sales are recognised as derivative transactions until their settlement.

(j) Sale and repurchase agreements

Securities sold subject to linked repurchase agreements ("repos") are retained in financial statements as trading or investment securities and the related liability is included in short-term borrowings. Securities purchased under an agreement to resell ("reverse repos") are not recognised on balance sheet and the related receivable is included in cash and cash equivalents (if the original maturity is within 3 months) or in loans provided within reverse repo operations (if the original maturity exceeds 3 months). The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements.

PATRIA FINANCE, A. S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

2 ACCOUNTING POLICIES (continued)

(j) Sale and repurchase agreements (continued)

Securities borrowed are not recognised in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded with the gain or loss included in trading income. The obligation to return them is recorded at fair value as a trading liability.

(k) Investment securities

The Group classified its investment securities into the following two categories: held to maturity and available for sale assets. Investment securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held to maturity. Investment securities to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available for sale. Management determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recognised at cost (which includes transaction costs). Available for sale financial assets are subsequently re-measured at fair value based on quoted market prices or amounts derived from cash flow models. All related realised and unrealised gains and losses are included in gains less losses from investment securities.

Held to maturity investments are carried at amortised cost using the effective yield method, less any provision for impairment.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate. By comparison, the recoverable amount of an instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

Interest earned whilst holding investment securities is reported as interest income. Dividends receivable are included separately in dividend income when a dividend is declared.

All regular purchases and sales of securities are recognised on their settlement dates.

PATRIA FINANCE, A. S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

2 ACCOUNTING POLICIES (continued)

(l) Property, plant and equipment and intangible assets

All property, plant and equipment and intangible assets are stated at historical cost less accumulated depreciation.

Depreciation is calculated using the straight-line method. The cost of each tangible and intangible asset is written down to its residual value over its estimated useful life as follows:

	<u>Depreciation period</u> (years)
IT equipment	4
Office equipment	6
Software	2 to 3
Furniture and fittings	8 to 10
Leasehold improvements	lease period

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their net book value and are taken into account in determining operating profit. Repairs are charged to the income statement as the expenditure is incurred. Asset enhancements are capitalised.

(m) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition and include: cash, current accounts and term deposits with banks and loans provided within reverse repo operations with original maturity within 3 months decreased by loans received within repo operations with an original maturity within 3 months.

(n) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the net present value of the obligation can be made.

PATRIA FINANCE, A. S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

2 ACCOUNTING POLICIES (continued)

(o) Employee benefits

The Group operates defined contribution schemes for its employees in the Czech Republic and pays contributions to insurance plans. Once the contributions have been paid, the Company has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they due and as such are included in staff costs. In addition, regular contributions are made to the state to fund the national pension plan.

(p) Statutory reserves

Under the Czech Commercial Code, each company is obliged to set aside a non-distributable statutory reserve fund which may only be used to cover future losses. A portion of net income determined by the decision of the Annual General Meeting, but not less than 5 percent of net income, is allocated annually to the statutory reserve fund until the balance equals 20 percent of registered share capital.

(q) Other reserves and Capital contribution

The 1997 Annual General Meeting resolved to set aside a reserve of CZK 4 million for funding of loans to employees in accordance with Czech tax legislation. The purpose of these loans is limited to meet the housing needs of employees and cannot be used by directors or Supervisory Board members. This reserve is distributable to the extent that the loans are repaid. Capital contribution resulted from the transaction with Patria Asset Management described in Note 2 (b).

(r) Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

The principal temporary differences arise from depreciation of property, plant and equipment, provisions and tax losses carried forward. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(s) Operating leasing

For operating leases, lease payments are recognised as an expense in the income statement over the term of the lease. The Group is generally the lessee.

3 FINANCIAL RISK MANAGEMENT

(a) Strategy in using financial instruments

By its nature, the Group's activities are principally related to the use of financial instruments, including derivatives.

The Group trades in financial instruments, where it takes positions in traded and over-the-counter instruments including derivatives, to take advantage of short-term market movements in equity, currency and interest rates. The Board of Directors places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

(b) Credit risk

The Group holds equity securities of only a selected number of the highest-grade corporate entities located in Central Europe. The main credit risk borne by the Company is the risk of counterparty or client default, when the price of a security or derivative moves in favour of the Group between the trade and the settlement date. The Group mitigates this risk by conducting business only with a selected group of counterparties that meet the Group's acceptance criteria. Alternatively, the Group requires delivery of funds or securities from clients and other counterparties prior to the acceptance of an order.

As a member of the Prague Stock Exchange ("PSE"), the Group is required to settle all trades in securities traded on these markets over a recognised exchange (in the Czech Republic, either the Prague Stock Exchange or the RM-System, the latter being an organised over-the-counter market). Both the Prague Stock Exchange and the RM-System operate on a delivery versus payment basis. Where delivery versus payment is not available, such as for a transaction involving securities not traded on the Prague Stock Exchange or RM-System, the Group requires delivery before receipt of counter value, with an exception for its highest rated counterparties.

Derivatives

The Group is not actively trading in derivatives. However, in the case of an open derivative position, the Group maintains strict control limits on net open derivative positions (i.e. the difference between purchase and sale contracts, in both amount and term).

PATRIA FINANCE, A. S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

3 FINANCIAL RISK MANAGEMENT (continued)

(c) Market risk

The Group takes on exposure to market risks. Market risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The Board of Directors sets limits on the value of risk that may be accepted. This is monitored on a daily basis. The set market risk limits have been ratified by KBC.

(d) Currency risk

Foreign currency risk is the risk that the value of the Group's monetary assets, liabilities, income and expense will fluctuate due to changes in foreign exchange rates. The Group's main foreign exposures are limited to financial instruments, corporate finance fee income and various payables and receivables. The Group has currency limits in place to manage its foreign currency exposure. The currency risk limits have been ratified by KBC. The vast majority of transactions are denominated in Czech crowns. As a result, there are no material net open foreign exchange positions.

(e) Liquidity risk

Liquidity risk is a measure of the extent to which the Group may be required to raise funds to meet its commitments associated with financial instruments. Given the relatively volatile nature of the markets in which the Group operates, the Group's strategy is to maintain the majority of its assets and liabilities as current, or with a maturity of less than 30 days. The Group monitors expected cash flows on a daily basis and places surplus funds on deposit with its depository bank or in a money market account, and conversely the Group seeks short term financing from these sources when necessary.

PATRIA FINANCE, A. S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

3 FINANCIAL RISK MANAGEMENT (continued)

(e) Liquidity risk (continued)

The table below analyses assets and liabilities of the Group into relevant maturity groupings, based on the remaining period at balance sheet date to the contractual maturity date.

Maturities of assets and liabilities

As at 31 December 2004

	Up to <u>1 month</u> CZK'000	1 - 3 <u>months</u> CZK'000	3 - 12 <u>months</u> CZK'000	1 - 5 <u>years</u> CZK'000	Over <u>5 years</u> CZK'000	<u>Unspecified</u> CZK'000	<u>Total</u> CZK'000
Assets							
Cash and cash equivalents	187,036	-	-	-	-	-	187,036
Trade receivables	905,887	70	-	-	-	-	905,957
Trading securities	-	-	-	-	-	41,359	41,359
Investment securities	-	-	-	-	-	10,714	10,714
Investments in associates	-	-	-	-	-	232,541	232,541
Property, plant and equipment	-	-	-	-	-	4,791	4,791
Intangible assets	-	-	-	-	-	8,052	8,052
Deferred tax asset	-	-	-	1,488	-	-	1,488
Other assets including current tax	<u>7,375</u>	<u>-</u>	<u>4,198</u>	<u>-</u>	<u>=</u>	<u>-</u>	<u>11,573</u>
Total assets	<u>1,100,298</u>	<u>70</u>	<u>4,198</u>	<u>1,488</u>	<u>=</u>	<u>297,457</u>	<u>1,403,511</u>
Liabilities							
Short-term borrowings	14,715	-	-	-	-	-	14,715
Trade payables	749,017	-	-	-	-	-	749,017
Trading liabilities	-	-	-	-	-	2,816	2,816
Promissory notes issued	7,742	-	-	-	-	-	7,742
Other liabilities including provisions	<u>45,195</u>	<u>5,982</u>	<u>4,178</u>	<u>4,896</u>	<u>=</u>	<u>-</u>	<u>60,251</u>
Total liabilities	<u>816,669</u>	<u>5,982</u>	<u>4,178</u>	<u>4,896</u>	<u>=</u>	<u>2,816</u>	<u>834,541</u>
Net liquidity gap	<u>283,629</u>	<u>(5,912)</u>	<u>20</u>	<u>(3,408)</u>	<u>=</u>	<u>294,641</u>	<u>568,970</u>

PATRIA FINANCE, A. S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

3 FINANCIAL RISK MANAGEMENT (continued)

(e) Liquidity risk (continued)

Maturities of assets and liabilities (continued)

As at 31 December 2003

	Up to <u>1 month</u> CZK'000	1 - 3 <u>months</u> CZK'000	3 - 12 <u>months</u> CZK'000	1 - 5 years <u>1 - 5 years</u> CZK'000	Over <u>5 years</u> CZK'000	<u>Unspecified</u> CZK'000	<u>Total</u> CZK'000
Total assets	741,726	-	2,358	-	101,785	277,554	1,123,423
Total liabilities	<u>627,051</u>	=	<u>-</u>	<u>341</u>	<u>-</u>	<u>7,538</u>	<u>634,930</u>
Net liquidity gap	<u>114,675</u>	=	<u>2,358</u>	<u>(341)</u>	<u>101,785</u>	<u>270,016</u>	<u>488,493</u>

(f) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument, therefore, indicates to what extent it is exposed to interest rate risk. Similar to its management of liquidity risk, the Group's strategy in managing its interest rate risk is to maintain the majority of its assets and liabilities as current or of short-term maturity. The positions that the Group may take are restricted by internal trading limits, which are linked to the remaining period to settlement with higher intra-day limits than for overnight positions.

The table below summarises the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised at the earlier of contractual reprising or maturity date.

PATRIA FINANCE, A. S. AND SUBSIDIARIES
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31 DECEMBER 2004

3 FINANCIAL RISK MANAGEMENT (continued)

(f) Interest rate risk (continued)

As at 31 December 2004

	Up to <u>1 month</u> CZK'000	Over <u>5 years</u> CZK'000	Non interest <u>bearing</u> CZK'000	<u>Total</u> CZK'000
Assets				
Cash and cash equivalents	187,036	-	-	187,036
Trade receivables	883,851	-	22,106	905,957
Trading securities	-	-	41,359	41,359
Investment securities	-	-	10,714	10,714
Investments in associates	-	-	232,541	232,541
Property, plant and equipment	-	-	4,791	4,791
Intangible assets	-	-	8,052	8,052
Deferred tax asset	-	-	1,488	1,488
Other assets including current tax	<u>-</u>	<u>=</u>	<u>11,573</u>	<u>11,573</u>
Total assets	<u>1,070,887</u>	<u>=</u>	<u>332,624</u>	<u>1,403,511</u>
Liabilities				
Short-term borrowings	14,715	-	-	14,715
Trade payables	724,038	-	24,979	749,017
Trading liabilities	-	-	2,816	2,816
Promissory notes issued	7,742	-	-	7,742
Other liabilities including provisions	<u>-</u>	<u>=</u>	<u>60,251</u>	<u>60,251</u>
Total liabilities	<u>746,495</u>	<u>=</u>	<u>88,046</u>	<u>834,541</u>
Interest sensitivity gap	<u>324,392</u>	<u>=</u>	<u>244,578</u>	<u>568,970</u>

PATRIA FINANCE, A. S. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2004

3 FINANCIAL RISK MANAGEMENT (continued)

(f) Interest rate risk (continued)

As at 31 December 2003

	Up to <u>1 month</u>	<u>Over 5 years</u>	Non interest <u>bearing</u>	<u>Total</u>
	CZK'000	CZK'000	CZK'000	CZK'000
Total assets	681,267	100,169	341,987	1,123,423
Total liabilities	<u>546,593</u>	-	<u>88,337</u>	<u>634,930</u>
Interest sensitivity gap	<u>134,674</u>	<u>100,169</u>	<u>253,650</u>	<u>488,493</u>

(g) Fair values of financial assets and liabilities

The following table summarises the carrying amounts and fair values of those financial assets and liabilities not necessarily presented on the Group's balance sheet at fair value:

	<u>Carrying value</u>		<u>Fair value</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	CZK'000	CZK'000	CZK'000	CZK'000
Loans provided within reverse repo transactions (Note 14)	29,864	80,473	29,864	80,473
Trade receivables (Note 13)	905,957	603,790	905,957	603,790
Investment securities – held to maturity (Note 16)	-	100,169	-	95,847
Other assets (Note 20)	7,375	36,912	7,375	36,912
Short-term borrowings (Note 21)	14,715	3,247	14,715	3,247
Trade payables (Note 22)	749,017	554,070	749,017	554,070
Promissory notes issued	7,742	32,589	7,742	32,598
Other liabilities and provisions (Notes 24 and 25)	50,091	40,738	50,091	40,738

There are no material differences in the carrying amounts and the fair values of short-term receivables and payables as they are expected to be settled in the near future.

PATRIA FINANCE, A. S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

4 NET INTEREST INCOME

	<u>2004</u>	<u>2003</u>
	CZK'000	CZK'000
Interest income		
Cash and cash equivalents	1,626	1,873
Trading securities	-	452
Investment securities held to maturity	4,429	1,345
Reverse repos	3,511	9,640
Margin trading loans to clients	9,034	398
Other	<u>93</u>	<u>290</u>
	<u>18,693</u>	<u>13,998</u>
Interest expense		
Banks loans	3,744	2,590
Promissory notes	452	1,217
Repos	523	4,365
Other loans	<u>67</u>	<u>-</u>
	<u>4,786</u>	<u>8,172</u>
Net interest income	<u>13,907</u>	<u>5,826</u>

5 NET FEE AND COMMISSION INCOME

	<u>2004</u>	<u>2003</u>
	CZK'000	CZK'000
Fee and commission income		
Commissions from brokerage activities	38,794	27,644
Consultancy fees received	44,933	53,008
Other fees	<u>36</u>	<u>-</u>
	<u>83,763</u>	<u>80,652</u>
Fee and commission expense		
Settlement fees and fees to intermediaries from brokerage activities	8,974	7,172
Consultancy fees paid to subcontractors	727	1,252
Other	<u>2,655</u>	<u>1,636</u>
	<u>12,356</u>	<u>10,060</u>
Net fee and commission income	<u>71,407</u>	<u>70,592</u>

PATRIA FINANCE, A. S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

6 DIVIDEND INCOME

Dividend income represents dividends from trading securities.

7 NET TRADING INCOME

	<u>2004</u>	<u>2003</u>
	CZK'000	CZK'000
Trading result from equities	123,985	77,307
Trading result from debt securities	1	3,782
Net foreign exchange gains/(losses)	<u>5,279</u>	<u>(3,378)</u>
	<u>129,265</u>	<u>77,711</u>

Net foreign exchange gains/(losses) include gains and losses from short-term currency forwards.

8 GAINS LESS LOSSES FROM INVESTMENT SECURITIES

	<u>2004</u>	<u>2003</u>
	CZK'000	CZK'000
Realised gains less losses from investment securities	505	4,185
Unrealised gains less losses from investment securities	<u>416</u>	<u>1,021</u>
	<u>921</u>	<u>5,206</u>

9 OTHER INCOME

	<u>2004</u>	<u>2003</u>
	CZK'000	CZK'000
Income from online advertising services	6,300	4,787
Other income	<u>3,507</u>	<u>4,273</u>
	<u>9,807</u>	<u>9,060</u>

PATRIA FINANCE, A. S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

10 OTHER OPERATING EXPENSES

	<u>2004</u>	<u>2003</u>
	CZK'000	CZK'000
Staff costs	109,471	94,031
Depreciation and amortisation costs (Note 18 and 19)	7,480	9,405
Hardware and software costs	4,592	2,588
Operating lease payments (Note 28(c))	13,951	13,444
Communication and data processing	14,499	11,379
Consultancy, legal and audit services	4,437	5,169
Marketing	4,671	3,449
Travel expenses	1,686	1,225
Bad debts written off	2,569	-
Additions to provisions (Note 25)	1,303	-
Additions to provisions for bad debts	894	-
Other operating expenses	<u>9,074</u>	<u>5,398</u>
	<u>174,627</u>	<u>146,088</u>
Staff costs		
	<u>2004</u>	<u>2003</u>
	CZK'000	CZK'000
Wages and salaries	79,474	69,081
Social security costs and other social costs	<u>29,997</u>	<u>24,950</u>
	<u>109,471</u>	<u>94,031</u>
Average number of employees during the year	53	57

PATRIA FINANCE, A. S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

11 INCOME TAX EXPENSE

	<u>2004</u>	<u>2003</u>
	CZK'000	CZK'000
Current tax	17,427	8,580
Adjustment of prior year tax expense	2,286	83
Deferred tax (Note 26)	(82)	1,242
Share of tax of associates (Note 17)	<u>15,356</u>	<u>7,135</u>
Income tax expense	<u>34,987</u>	<u>17,040</u>

The provision for income taxes is computed by applying the statutory income tax rate of 28%. The reconciliation of expected tax expense at the statutory rate to actual tax expense for the years ended 31 December 2004 and 2003 is as follows:

	<u>2004</u>	<u>2003</u>
	CZK'000	CZK'000
Profit before taxation	115,464	40,844
Expected tax expense at statutory rate of 28% (2003: 31%)	32,330	12,662
Difference between expected and actual tax expense by associates	900	1,600
Adjustment of prior year tax expense	2,286	83
Permanent non-deductible expenses	3,809	5,932
Permanent non-deductible income	(4,187)	(764)
Utilisation of previously unrecorded tax losses	(127)	(2,880)
Other	-	(24)
Effect of change in tax rates on deferred tax (2004: 26%, 2003: 25.4% for deferred tax asset, 27.1% for deferred tax liability respectively)	<u>(24)</u>	<u>431</u>
Income tax expense	<u>34,987</u>	<u>17,040</u>

12 CASH AND CASH EQUIVALENTS

	<u>31 December 2004</u>	<u>31 December 2003</u>
	CZK'000	CZK'000
Cash in hand	387	179
Current accounts and term deposits	156,785	20,372
Loans up to 3 months provided within reverse repo transactions (Note 14)	<u>29,864</u>	<u>80,473</u>
Included in cash and cash equivalent (Note 29)	<u>187,036</u>	<u>101,024</u>
		(22)

PATRIA FINANCE, A. S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

13 TRADE RECEIVABLES

	<u>31 December 2004</u>	<u>31 December 2003</u>
	CZK'000	CZK'000
Receivables from brokers and dealers	7,437	13,947
Receivables from clients	160,586	73,476
Clients' current accounts and advance payments provided to brokers on behalf of clients (Note 22)	600,802	236,514
Clients' term accounts	123,236	270,298
Receivables – Guarantee fund	7,441	3,794
Other receivables	<u>6,455</u>	<u>5,761</u>
	<u>905,957</u>	<u>603,790</u>

Receivables from clients included CZK 160,585,000 (2003: CZK 73,221,000) of loans to clients provided within margin trading activities. Margin trading represents loans provided to clients, who have concluded brokerage contracts with the Group, for financing their securities investments.

14 RESALE AND REPURCHASE AGREEMENTS

Resale and repurchase agreements generally mature within three months from origination. The securities underlying these transactions consist of equity securities issued by domestic commercial banks and other large domestic companies.

Information relating to resale and repurchase agreements outstanding as at 31 December is as follows:

	<u>Resale agreements</u>		<u>Repurchase agreements</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	CZK'000	CZK'000	CZK'000	CZK'000
Up to 3 months (Note 12, 21, 29)	<u>29,864</u>	<u>80,473</u>	<u>9,405</u>	<u>3,247</u>

The market value of the securities underlying the resale and repurchase agreements does not materially differ from the carrying value in the agreements.

PATRIA FINANCE, A. S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

15 TRADING SECURITIES

As at 31 December 2004 and 2003 all trading securities are listed equity instruments.

16 INVESTMENT SECURITIES

	<u>31 December 2004</u>	<u>31 December 2003</u>
	CZK'000	CZK'000
<u>Investment securities available for sale</u>		
Equity securities - shares of ČSOB (Note 30)	10,714	36,000
- other unlisted	<u>-</u>	<u>1,490</u>
	<u>10,714</u>	<u>37,490</u>
<u>Investment securities held to maturity</u>		
Debt securities - listed (Note 3(g))	<u>-</u>	<u>100,169</u>

Due to the limited transferability of the ČSOB shares, their fair value equals the exercise price of the put option. The fair value of the put option is zero and the nominal value of the underlying shares is CZK 1,454,000 (31 December 2003: CZK 5,000,000). ČSOB is a related party of the Company (Note 31) and also a member of KBC Group.

The Company sold the entire held to maturity portfolio of securities before maturity. Therefore, the Company is prohibited from using the held to maturity portfolio for any financial assets within the two following accounting periods ending 31 December 2006.

17 INVESTMENTS IN ASSOCIATES

	<u>2004</u>	<u>2003</u>
	CZK'000	CZK'000
At the beginning of the year	186,882	176,162
Negative goodwill resulting from increase of shareholding in PSE	9,385	-
Share of results before tax	51,630	17,855
Share of tax (Note 11)	<u>(15,356)</u>	<u>(7,135)</u>
Share of results after tax	<u>45,659</u>	<u>10,720</u>
	<u>232,541</u>	<u>186,882</u>

PATRIA FINANCE, A. S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

17 INVESTMENTS IN ASSOCIATES (continued)

As at 31 December 2004 and 2003 there were the following associates:

	<u>2004</u>	<u>2003</u>
	Shareholding	Shareholding
	%	%
ČSOB Asset Management, a.s., člen skupiny ČSOB	79.4	79.4
Burza cenných papírů Praha, a.s.	22.5	17.2

Both associates were incorporated in the Czech Republic.

The Company owns, based on a Controlling agreement between the Company and ČSOB, 20% of the voting rights of ČSOB AM, maintaining a significant influence and thus measures ČSOB AM at equity (Note 2(b)).

In 2004 and 2003, the chairman of the Board of Directors of the Company was a member of the Board of Directors of PSE and thus the Company was able to exercise significant influence over PSE. As a result, the Company measures in both reported periods its investment in PSE at equity.

In 2004 PSE decreased its share capital by CZK 40,912,000. The number and nominal amount of PSE shares owned by the Company did not change. As a result, the Company's shareholding in PSE increased by 5.3% to 22.5%. Negative goodwill of CZK 9,385,000 resulting from this operation was recognized as a gain within the share of results of associates before tax immediately.

PATRIA FINANCE, A. S. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
31 DECEMBER 2004

18 PROPERTY, PLANT AND EQUIPMENT

	<u>Land and buildings</u> CZK'000	<u>Equipment</u> CZK'000	<u>Total</u> CZK'000
Year ended December 2003			
Opening net book amount	477	14,429	14,906
Additions	-	438	438
Disposals	-	(120)	(120)
Depreciation charge	<u>(449)</u>	<u>(5,810)</u>	<u>(6,259)</u>
Closing net book amount	<u>28</u>	<u>8,937</u>	<u>8,965</u>
At 31 December 2003			
Cost	1,411	34,318	35,729
Accumulated depreciation	<u>(1,383)</u>	<u>(25,381)</u>	<u>(26,764)</u>
Net book amount	<u>28</u>	<u>8,937</u>	<u>8,965</u>
Year ended December 2004			
Opening net book amount	28	8,937	8,965
Additions	-	1,172	1,172
Disposals	-	(1,296)	(1,296)
Depreciation charge	<u>(28)</u>	<u>(4,022)</u>	<u>(4,050)</u>
Closing net book amount	<u>-</u>	<u>4,791</u>	<u>4,791</u>
At 31 December 2004			
Cost	1,411	21,352	22,763
Accumulated depreciation	<u>(1,411)</u>	<u>(16,561)</u>	<u>(17,972)</u>
Net book amount	<u>-</u>	<u>4,791</u>	<u>4,791</u>

The Group has no tangible assets held under finance lease arrangements or pledged as security.

PATRIA FINANCE, A. S. AND SUBSIDIARIES
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31 DECEMBER 2004

19 INTANGIBLE ASSETS

The movements in intangible assets are as follows:

	<u>Software</u> CZK'000
Year ended December 2003	
Opening net book amount	7,522
Additions	4,834
Disposals	(30)
Amortisation charge	<u>(3,146)</u>
Closing net book amount	<u>9,180</u>
At 31 December 2003	
Cost	25,626
Accumulated amortisation	<u>(16,446)</u>
Net book amount	<u>9,180</u>
Year ended December 2004	
Opening net book amount	9,180
Additions	2,532
Disposals	(230)
Amortisation charge	<u>(3,430)</u>
Closing net book amount	<u>8,052</u>
At 31 December 2004	
Cost	24,207
Accumulated amortisation	<u>(16,155)</u>
Net book amount	<u>8,052</u>

PATRIA FINANCE, A. S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

20 OTHER ASSETS

As at 31 December 2003 accrued income from intermediary activities of CZK 24,800,000 was recognized within other assets (31 December 2004: CZK nil).

21 SHORT-TERM BORROWINGS

	<u>31 December 2004</u>	<u>31 December 2003</u>
	CZK'000	CZK'000
Bank loans (Note 30)	5,310	-
Loans provided within repo operations - up to 3 months (Notes 14, 29)	<u>9,405</u>	<u>3,247</u>
	<u>14,715</u>	<u>3,247</u>

22 TRADE PAYABLES

	<u>31 December 2004</u>	<u>31 December 2003</u>
	CZK'000	CZK'000
Payables to brokers and dealers	15,641	40,093
Payables to clients resulting from clients' current accounts and term deposits (Note 13)	724,038	506,812
Other payables	<u>9,338</u>	<u>7,165</u>
	<u>749,017</u>	<u>554,070</u>

23 PROMISSORY NOTES ISSUED

Promissory notes mature within one month from origination. Promissory notes are issued in CZK and their average interest rate in 2004 was 2.13% p.a. (2003: 2.05% p.a.).

PATRIA FINANCE, A. S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

24 OTHER LIABILITIES

	<u>31 December 2004</u>	<u>31 December 2003</u>
	CZK'000	CZK'000
Payables to employees	3,495	2,803
Due to social security institutions	2,520	1,929
Accruals and deferred income	34,040	29,898
Other liabilities	<u>5,140</u>	<u>2,515</u>
	<u>45,195</u>	<u>37,145</u>

25 PROVISION

As at 31 December 2003 a provision of CZK 3,593,000 (Note 28) was set aside for a legal case resulting from certain securities transactions in 2001, which were originated in the normal course of business. As at 31 December 2004 the provision was increased to 4,896,000 due to additional expected legal expenses. The provision is not discounted as the timing of the outcome is uncertain and effect of discounting is not significant.

26 DEFERRED TAX

Deferred income tax is calculated on all temporary differences using the full liability method at a tax rate of 26% (2003: 25.4% for deferred tax asset and 27.1% for deferred tax liability).

The movement on deferred income tax is as follows:

	<u>2004</u>	<u>2003</u>
	CZK'000	CZK'000
Balance at 1 January	1,406	2,648
Deferred income tax credit/(charge) for the year (Note 11)	<u>82</u>	<u>(1,242)</u>
Balance as at 31 December	<u>1,488</u>	<u>1,406</u>

PATRIA FINANCE, A. S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

26 DEFERRED TAX (continued)

Deferred tax assets and liabilities are attributable to the following items:

	<u>2004</u>	<u>2003</u>
	CZK'000	CZK'000
<u>Deferred income tax asset</u>		
Payment of health and social insurance on bonuses deferred to next year	1,773	1,158
Tax losses carried forward	-	1,934
Provisions for bad debts	<u>232</u>	<u>-</u>
	2,005	3,092
<u>Deferred income tax liability</u>		
Depreciation and amortisation of fixed assets	<u>(517)</u>	<u>(1,686)</u>
	<u>1,488</u>	<u>1,406</u>

Deferred tax asset/liability is reported on the balance sheet as a net figure for each company:

	<u>2004</u>	<u>2003</u>
	CZK'000	CZK'000
<u>Net deferred tax asset</u>		
Patria Direct, a.s.	86	40
Patria Online, a.s.	-	1,516
Patria Finance CF, a.s.	85	191
Patria Finance, a.s.	<u>1,317</u>	<u>-</u>
	1,488	1,747
<u>Net deferred tax liability</u>		
Patria Finance, a.s.	<u>-</u>	<u>(341)</u>
	<u>1,488</u>	<u>1,406</u>

PATRIA FINANCE, A. S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2004

26 DEFERRED TAX (continued)

The deferred tax charge in the income statement is comprised of the following temporary differences:

	<u>2004</u>	<u>2003</u>
	CZK'000	CZK'000
Accelerated tax depreciation	(1,169)	(541)
Payment of health and social insurance on bonuses deferred to next year	(615)	(1,158)
Provisions for bad debts	(232)	-
Tax losses carried forward	<u>1,934</u>	<u>2,941</u>
Income statement (credit)/charge (Note 11)	<u>(82)</u>	<u>1,242</u>

The net deferred tax asset of Patria Online of CZK 6,016,000 as at 31 December 2004 has not been recognised, as it is not probable that future taxable profit will be available against which the unused tax credits can be utilised. The net deferred income tax asset as at 31 December 2003 of CZK 1,516,000 was released in 2004.

27 SHAREHOLDERS' EQUITY

The total authorised share capital as at 31 December 2004 and 2003 was CZK 100 million consisting of 100,000 ordinary shares at a nominal value of CZK 1,000 each and is fully paid.

Shareholder structure at 31 December 2004 and 2003 was as follows:

	<u>%</u>
KBC Bank N.V.	75
KBC Securities N.V.	<u>25</u>
	<u>100</u>

No dividends were declared for 2004 or 2003.

In February 2005 KBC Securities N.V. acquired additional 75% share in the Company and became the sole shareholder.

PATRIA FINANCE, A. S. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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27 SHAREHOLDERS' EQUITY (continued)

As at 31 December 2004 and 2003 both shareholders belonged to the group which was controlled by KBC Bank and Insurance Holding Company NV, of which Almanij NV was a majority shareholder. Following the merger described above (Note 1), the ultimate shareholder of the Group since 2 March 2005 is KBC Group NV.

28 CONTINGENCIES AND COMMITMENTS

(a) Legal proceedings

The Group is subject to certain legal proceedings, mainly in its normal course of business. A provision of CZK 4,896,000 (Note 25) was set aside for legal cases resulting from certain securities transactions in 2001 and the management is convinced that the outcome of these legal proceedings will not have any further adverse material impact on the Company.

(b) Capital commitments

At 31 December 2004, the Group had no capital commitments with respect to buildings and equipment purchases.

(c) Operating lease commitments

The future minimum lease payments entered into by the Group as at 31 December 2004 are as follows:

<u>Year</u>	<u>Office space</u> CZK'000
2005	<u>5,918</u>

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29 CASH AND CASH EQUIVALENTS FOR THE PURPOSES OF CASH FLOW STATEMENT

For the purposes of cash flow statements, cash and cash equivalents are comprised of the following balances:

	<u>31 December 2004</u>	<u>31 December 2003</u>
	CZK'000	CZK'000
Cash and cash equivalents (Note 12)	187,036	101,024
Loans up to 3 months received within repo operations (Note 14, 21)	<u>(9,405)</u>	<u>(3,247)</u>
	<u>177,631</u>	<u>97,777</u>

30 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The Group is under the control of KBC. As at 31 December 2004 and 2003 KBC's ultimate holding company was Almanij N.V. (both incorporated in Belgium). All Group companies, associated undertakings and management of the Company are considered to be related parties.

A number of transactions are entered into with related parties in the normal course of business. Balances arising from these include loans, deposits and other trade receivables and payables. These transactions were carried out on commercial terms and conditions, which were materially the same as market rates. The volume of related party transactions, outstanding balances at the year end, and related expenses and incomes for the year are as follows:

<u>Related party</u>	<u>KBC Group</u>	
	<u>2004</u>	<u>2003</u>
<u>Assets</u>	CZK'000	CZK'000
Current and term accounts, clients' current and term accounts included	611,491	395,435
Trading receivables	603	12,513
Investment securities (Note 16)	<u>10,714</u>	<u>36,000</u>
	<u>622,808</u>	<u>443,948</u>
<u>Liabilities</u>		
Bank loans received from ČSOB (denominated in HUF, interest rate 10.1% p.a.) (Note 21)	5,310	-
Other payables	<u>5</u>	<u>2,395</u>
	<u>5,315</u>	<u>2,395</u>

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30 RELATED PARTY TRANSACTIONS (continued)

	<u>PSE</u>		<u>KBC Group</u>		<u>Total</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	<u>CZK'000</u>	<u>CZK'000</u>	<u>CZK'000</u>	<u>CZK'000</u>	<u>CZK'000</u>	<u>CZK'000</u>
Interest expense	-	-	1,960	902	1,960	902
Bank commissions and fees	-	-	502	358	502	358
Settlement fee paid to PSE	17,716	10,000	-	-	17,716	10,000
Custody of foreign securities	-	-	4,028	5,388	4,028	5,388
Intermediary cost	-	-	3,991	4,776	3,991	4,776
Finders fee	-	-	277	348	277	348
Total expense	<u>17,716</u>	<u>10,000</u>	<u>10,758</u>	<u>11,772</u>	<u>28,474</u>	<u>21,772</u>
Interest income	-	-	2,811	1,095	2,811	1,095
Consultancy fees	-	-	5,389	4,151	5,389	4,151
Total income	<u>-</u>	<u>-</u>	<u>8,200</u>	<u>5,246</u>	<u>8,200</u>	<u>5,246</u>
Management remuneration	-	-	-	-	45,153	33,702

Loans to management and employees are provided using an interest rate calculated as an average of interest rates on loans provided to the Group in the 30 day period prior to the day of granting the loan. A loan that does not exceed CZK 100,000 or the first CZK 100,000 from a larger loan is provided with a zero interest rate. In 2003 interest income on loans to Directors was CZK 253,000 (2004: nil). As at 31 December 2004 and 2003 no loans to Directors were provided.

31 SUBSEQUENT EVENTS

There have been no significant events that have occurred after the balance sheet date.

