PATRIA FINANCE GROUP

CONSOLIDATED FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT AUDITORS

31 DECEMBER 2005

PricewaterhouseCoopers Audit, s.r.o.
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REPORT OF INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF PATRIA FINANCE, A.S.

We have audited the accompanying consolidated balance sheet of Patria Finance, a.s. ("the Company") and its subsidiaries ("the Group") as at 31 December 2005, the related consolidated statements of income, cash flows and changes in shareholder's equity 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 give a true and fair view of the financial position of the Group as at 31 December 2005 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

25 May 2006

PricewaterhouseCoopers Audit, s.r.o.
represented by

Petr Kříž
Auditor, Licence no. 1140

PATRIA FINANCE GROUP

CONSOLIDATED INCOME STATEMENT

31 DECEMBER 2005

	Notes	Year ended 31 December 2005 CZK'000	2004 CZK'000
Interest and similar income	5	34,701	18,693
Interest expense and similar charges	5	(7,592)	(4,786)
Net interest income		27,109	13,907
Fee and commission income	6	150,403	83,763
Fee and commission expense	6	(33,292)	(12,356)
Net fee and commission income		117,111	71,407
Dividend income	7	10,853	3,769
Net trading income	8	255,804	129,265
Gains less losses from investment securities	9	4,505	921
Other operating income	10	13,129	9,807
Operating expenses	11	(243,256)	(174,627)
Operating profit		185,255	54,449
Share of profit of associates	18	139,115	51,630
Profit before income tax		324,370	106,079
Income tax expense	12	(92,878)	(34,987)
Profit for the year		231,492	71,092

These financial statements have been approved for issue by the Board of Directors on 25 May 2006.

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

PATRIA FINANCE GROUP

CONSOLIDATED BALANCE SHEET

31 DECEMBER 2005

	Notes	As at 31 December 2005	2004
		CZK'000	CZK'000
ASSETS			
Cash and short-term balances due from banks	13	386,037	187,036
Receivables from clients and balances on clients' accounts	14	3,045,757	892,061
Trading securities	16	127,026	41,359
Investment securities available for sale	17	-	10,714
Investments in associates	18	340,635	232,541
Property and equipment	19	23,380	4,791
Intangible assets	20	8,142	8,052
Deferred income tax asset	27	2,510	1,488
Current income tax asset		3,173	4,198
Other assets	21	41,863	21,271
Total assets		**3,978,523**	**1,403,511**
LIABILITIES			
Short-term borrowings	22	469,893	14,715
Payables to clients	23	2,502,460	739,679
Trading liabilities	16	33,892	2,816
Promissory notes issued	24	-	7,742
Other liabilities	25	116,738	54,533
Provisions	26	4,896	4,896
Current income tax liability		43,396	10,160
Deferred income tax liability	27	572	-
Total liabilities		**3,171,847**	**834,541**
SHAREHOLDERS' EQUITY			
Share capital	28	100,000	100,000
Share premium		3,443	3,443
Statutory reserves	28	25,326	23,921
Other reserves	28	4,000	4,000
Capital contribution	28	30,321	30,321
Retained earnings		643,586	407,285
Total shareholders' equity		**806,676**	**568,970**
Total equity and liabilities		**3,978,523**	**1,403,511**

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

PATRIA FINANCE GROUP

CONSOLIDATED CASH FLOW STATEMENT

31 DECEMBER 2005

	Notes	Year ended 31 December 2005 CZK'000	2004 CZK'000
CASH FLOW FROM OPERATING ACTIVITIES			
Fee and commissions and other income received		130,240	135,561
Interest received		34,701	18,693
Interest payments		(7,592)	(4,786)
Dividend receipts		10,853	3,769
Net trading income		255,804	86,889
Cash payments to employees and suppliers		(235,088)	(158,765)
Income taxes paid		(21,830)	(11,523)
OPERATING CASH INFLOW BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		167,088	69,838
CHANGES IN OPERATING ASSETS AND LIABILITIES			
Net purchase of trading securities		(85,667)	(5,052)
Net (increase) in receivables from clients balances on clients' accounts		(2,153,696)	(302,167)
Net (increase) / decrease in other assets		(20,592)	4,737
Net increase in payables to clients		1,797,060	194,947
Net increase in other liabilities and provisions		59,002	12,556
NET CASH USED IN OPERATING ACTIVITIES		(236,805)	(25,141)
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of investment securities		15,219	127,866
Purchase of property and equipment		(26,848)	(3,334)
NET CASH (USED IN) / GENERATED BY INVESTING ACTIVITIES		(11,629)	124,532
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term borrowings		-	5,310
Repayment of short-term borrowings		(13,053)	(24,847)
NET CASH USED IN FINANCING ACTIVITIES		(13,053)	(19,537)
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(261,487)	79,854
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	30	177,631	97,777
CASH AND CASH EQUIVALENTS, END OF YEAR	30	(83,856)	177,631

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

PATRIA FINANCE GROUP

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

31 DECEMBER 2005

	Share capital	Share premium	Statutory reserves	Other reserves	Capital contribution	Retained earnings	Total equity
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
At 1 January 2004	100,000	3,443	23,138	4,000	30,321	327,591	488,493
Group's share of changes recognized in associate's equity	-	-	-	-	-	9,385	9,385
Profit for the year	-	-	-	-	-	71,092	71,092
Total recognised income for 2004	-	-	-	-	-	80,477	80,477
Additions to statutory reserves	-	-	783	-	-	(783)	-
At 31 December 2004	100,000	3,443	23,921	4,000	30,321	407,285	568,970
Group's share of changes recognized in associate's equity	-	-	-	-	-	6,214	6,214
Profit for the year	-	-	-	-	-	231,492	231,492
Total recognised income for 2005	-	-	-	-	-	237,706	237,706
Additions to statutory reserves	-	-	1,405	-	-	(1,405)	-
At 31 December 2005	100,000	3,443	25,326	4,000	30,321	643,586	806,676

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

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 1, Jungmannova 24. The Company is a member of and a shareholder in the Prague Stock Exchange.

The ultimate parent company is KBC Group NV ("KBC Group"), which is headquartered in Belgium (Note 28).

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. 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.

2 SUMMARY OF SIGNIFICANT 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 as adopted by the European Union ("IFRS") under the historical cost convention as modified by the revaluation of available for sale investment securities, financial assets and financial liabilities held at fair value through profit or loss and all derivative contracts.

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 Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

2 ACCOUNTING POLICIES (continued)

(b) Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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. Accounting policies have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Subsidiaries	Principal activity	Share %
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
Associates		
ČSOB Asset Management, a.s., člen skupiny ČSOB ("ČSOB AM")	Asset management	79.4
Burza cenných papírů Praha, a.s. ("PSE")	Stock exchange	24.4

2 ACCOUNTING POLICIES (continued)

(b) Consolidation (continued)

All subsidiaries are headquartered at Prague 1, Jungmannova 24.

The capital contribution of CZK 30.3 million resulted from the combination of Patria Asset Management, a.s. and OB Invest, a.s. in 2002 carried out in accordance with the integration plans of KBC Group's asset management activities in the Czech Republic. Based on a Controlling agreement between the Company and ČSOB (a member of KBC Group), the Company owns 20% of the voting rights of ČSOB AM, maintaining a significant influence and thus treats ČSOB AM as an associate.

(c) Foreign currencies translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Czech crowns ("CZK") , which is the Company's functional and presentation currency. None of the group entities have a functional currency different from the presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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. Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

2 ACCOUNTING POLICIES (continued)

(d) Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including 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.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (ie, the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (ie, without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises profits on day 1.

Certain derivatives embedded in other financial instruments, such as the conversion option in a convertible bond, are treated as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract and the host contract is not carried at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

None of derivative financial instruments of the Group qualify for hedge accounting, therefore changes in the fair value of any derivative instrument are recognised immediately in the income statement.

(e) 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.

(f) Interest income and expense

Interest income and expense are recognised in the income statement for all interest bearing instruments measured at amortised cost using the effective interest method.

2 ACCOUNTING POLICIES (continued)

(f) Interest income and expense (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(g) Dividend income

Dividends income is recognised in the income statement when the right to receive payment is established.

(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 there from is certain and can be reliably measured. All fees and commissions arising from proprietary trading activities are reported within net trading income.

(i) Sale and repurchase agreements

Securities sold subject to repurchase agreements (“repos”) are reclassified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in short-term borrowings or payables to clients, as appropriate. Securities purchased under agreements to resell (“reverse repos”) are recorded as cash and short-term balances due from banks. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

2 ACCOUNTING POLICIES (continued)

(i) 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.

(j) Financial assets

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables and available-for-sale financial assets. The Group is not allowed to classify any financial assets as held-to-maturity until 1 January 2007 (Note 17). Management determines the classification of its investments at initial recognition.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. The Group does not have any financial assets designated at fair value through profit or loss at inception.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable.

Held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as available for sale.

2 ACCOUNTING POLICIES (continued)

(j) Financial assets (continued)

Available-for-sale

Available-for-sale investments are those intended 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.

Purchases and sales of financial assets at fair value through profit or loss, held to maturity and available for sale are recognised on settlement-date. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. However, interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established.

The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset 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, option pricing models and other valuation techniques commonly used by market participants.

2 ACCOUNTING POLICIES (continued)

(k) Impairment of financial assets

Assets carried at amortised cost

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

When a loan is uncollectable, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement.

2 ACCOUNTING POLICIES (continued)

(k) Impairment of financial assets (continued)

Assets carried at fair value

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset classified as available-for-sale is impaired. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the assets are impaired. If any such evidence exists, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

(l) Intangible assets

The Group's intangible assets comprise software. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives (two to three years). Expenditure which enhances or extends the performance of computer software programmes beyond their original specification is recognised as a capital improvement and added to the original cost of the software. Other expenditures such as maintenance costs are expensed when incurred.

(m) Property and equipment

Buildings comprise mainly leasehold improvements in rented offices. All property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

2 ACCOUNTING POLICIES (continued)

(m) Property and equipment (continued)

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:

	Depreciation period (years)
IT equipment	4
Office equipment	6
Furniture and fittings	8 to 10
Leasehold improvements	over the lease period

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(n) Cash and cash equivalents

For the purpose of the cash flow statements, cash and cash equivalents comprise balances with original maturity of 3 months or less 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 of 3 months or less decreased by short-term borrowings with original maturity of 3 months or less.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

2 ACCOUNTING POLICIES (continued)

(p) 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 Group 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.

(q) Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(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 income 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.

Income tax payable on profits is recognised as an expense in the period in which profits arise.

(s) Operating leasing

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

2 ACCOUNTING POLICIES (continued)

(t) IFRS / IAS accounting and reporting developments

In 2005, the Group commenced to apply the following standards, which are relevant to its operations. The 2004 accounts have been amended as required, in accordance with the relevant requirements:

IAS 1 (revised 2003)	Presentation of Financial Statements
IAS 8 (revised 2003)	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (revised 2003)	Events after the Balance Sheet Date
IAS 16 (revised 2003)	Property, Plant and Equipment
IAS 17 (revised 2003)	Leases
IAS 21 (revised 2003)	The Effects of Changes in Foreign Exchange Rates
IAS 24 (revised 2003)	Related Party Disclosures
IAS 27 (revised 2003)	Consolidated and Separate Financial Statements
IAS 28 (revised 2003)	Investments in Associates
IAS 32 (revised 2003)	Financial Instruments: Disclosure and Presentation
IAS 36 (revised 2004)	Impairment of Assets
IAS 38 (revised 2004)	Intangible Assets
IAS 39 (revised 2003)	Financial Instruments: Recognition and Measurement
IFRS 2 (issued 2004)	Share-based Payment
IFRS 3 (issued 2004)	Business Combinations
IFRS 5 (issued 2004)	Non-current Assets Held for Sale and Discontinued Operations

Adoption of the new standards had the following impact on the Group.

- IAS 1 (revised 2003) has affected certain disclosures.
- IAS 8, 10, 16, 17, 21, 27, 32, 39 (all revised 2003) and IAS 36, 38 (both revised 2004) and IFRS 2, 3 and 5 had no material effect on the Group's policies.
- IAS 24 (revised 2003) has affected the identification of related parties and some other related-party disclosures.
- IAS 28 has affected the disclosure of the Group’s investment in associates. The Group’s share of changes recognized directly in the associate’s equity is recognized directly in the Group’s equity and is disclosed in the statement of changes in equity whilst in 2004, the Group’s share was recognized in the income statement. This change decreased Share of profit of associates by CZK 9,385,000 for 2004.

2 ACCOUNTING POLICIES (continued)

(t) IFRS / IAS accounting and reporting developments

Certain new standards, amendments and interpretations have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2006 or later periods and which the Group has not early adopted:

- **IFRS 7 Financial Instruments: Disclosures and a complementary Amendment to IAS 1 Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007).** The IFRS introduces new disclosures to improve the information about financial instruments. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and some of the requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The Amendment to IAS 1 introduces disclosures about level of an entity's capital and how it manages capital. The Group is currently assessing what impact the new IFRS and the amendment to IAS 1 will have on disclosures in its financial statements.

Other new standards, amendments or interpretations. The Group has not early adopted the following other new standards, amendments or interpretations:

- IFRIC 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006);
- IAS 39 (Amendment) – The Fair Value Option (effective from 1 January 2006);
- IAS 39 (Amendment) - Cash Flow Hedge Accounting of Forecast Intragroup Transactions (effective from 1 January 2006);
- IAS 39 (Amendment) – Financial Guarantee Contracts (effective from 1 January 2006);
- IAS 19 (Amendment) - Employee Benefits (effective from 1 January 2006);
- IAS 21 (Amendment) - Net Investment in a Foreign Operation (effective from 1 January 2006);
- IFRS 6, Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006);
- IFRS 1 (Amendment) - First-time Adoption of International Financial Reporting Standards and IFRS 6 (Amendment) - Exploration for and Evaluation of Mineral Resources (effective from 1 January 2006);
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (effective from 1 January 2006);
- IFRIC 6, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment (effective for periods beginning on or after 1 December 2005, that is from 1 January 2006).
- IFRIC 7, Applying the Restatement Approach under IAS 29 (effective for periods beginning on or after 1 March 2006, that is from 1 January 2007).
- IFRIC 8, Scope of IFRS 2 (effective for periods beginning on or after 1 May 2006, that is from 1 January 2007).

2 ACCOUNTING POLICIES (continued)

(t) IFRS / IAS accounting and reporting developments (continued)

Unless otherwise described above, the new standards, amendments and interpretations are not expected to significantly affect the Group's financial statements.

(u) Changes in the presentation compared to the prior year

In 2005, the Group reconsidered the classification of receivables for 2004 of CZK 13,896,000 and included them in Other assets instead of Receivables from clients and balances on clients accounts as this better reflects their substance. Similarly liabilities of CZK 9,333,800 were reclassified from Payables to clients to Other liabilities.

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 Group 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 actively trading in derivatives (e.g. equity futures). However, 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) which is thus limited.

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 Group.

(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 Group. 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.

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.

3 FINANCIAL RISK MANAGEMENT (continued)

(e) Liquidity risk (continued)

Maturities of assets and liabilities

As at 31 December 2005

	Up to 1 month	1 - 3 months	3 - 12 months	1 – 5 years	Unspecified	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Assets						
Cash and short-term balances due from banks	386,037	-	-	-	-	386,037
Receivables from clients and balances on clients' accounts	3,045,757	-	-	-	-	3,045,757
Trading securities	-	-	-	-	127,026	127,026
Investments in associates	-	-	-	-	340,635	340,635
Property and equipment	-	-	-	-	23,380	23,380
Intangible assets	-	-	-	-	8,142	8,142
Deferred income tax asset	-	-	-	2,510	-	2,510
Other assets including current income tax	31,597	4,434	1,981	-	7,024	45,036
Total assets	3,463,391	4,434	1,981	2,510	506,207	3,978,523
Liabilities						
Short-term borrowings	469,893	-	-	-	-	469,893
Payables to clients	2,502,460	-	-	-	-	2,502,460
Trading liabilities	33,892	-	-	-	-	33,892
Deferred income tax liability	-	-	-	572	-	572
Other liabilities including provisions and current income tax	116,738	-	43,396	-	4,896	165,030
Total liabilities	3,122,983	-	43,396	572	4,896	3,171,847
Net liquidity gap	340,408	4,434	(41,415)	1,938	501,311	806,676

3 FINANCIAL RISK MANAGEMENT (continued)

(e) Liquidity risk (continued)

Maturities of assets and liabilities

As at 31 December 2004

	Up to 1 month	1 - 3 months	3 - 12 months	1 – 5 years	Unspecified	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Assets						
Cash and short-term balances due from banks	187,036	-	-	-	-	187,036
Receivables from clients and balances on clients' accounts	891,991	70	-	-	-	892,061
Trading securities		-	-	-	41,359	41,359
Investment securities	-	-	-	-	10,714	10,714
Investments in associates	-	-	-	-	232,541	232,541
Property and equipment	-	-	-	-	4,791	4,791
Intangible assets	-	-	-	-	8,052	8,052
Deferred income tax asset	-	-	-	1,488	-	1,488
Other assets including current income tax	21,271	-	4,198	-	-	25,469
Total assets	1,100,298	70	4,198	1,488	297,457	1,403,511
Liabilities						
Short-term borrowings	14,715	-	-	-	-	14,715
Payables to clients	739,679	-	-	-	-	739,679
Trading liabilities	2,816	-	-	-	-	2,816
Promissory notes issued	7,742	-	-	-	-	7,742
Other liabilities including provisions	54,533	5,982	4,178	-	4,896	69,589
Total liabilities	819,485	5,982	4,178	-	4,896	834,541
Net liquidity gap	280,813	(5,912)	20	1,488	292,561	568,970

3 FINANCIAL RISK MANAGEMENT (continued)

(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 interest bearing assets and liabilities at carrying amounts, categorised at the earlier of contractual repricing or maturity date.

As at 31 December 2005

	Up to 1 month	1 - 3 months	3 - 12 months	Total interest bearing	Non interest bearing	Total
	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Assets						
Cash and short-term balances due from banks	386,037	-	-	386,037	-	386,037
Receivables from clients and balances on clients' accounts	2,911,836	-	-	2,911,836	133,921	3,045,757
Other assets	-	1,261	1,981	3,242	543,487	546,729
Total assets	3,297,873	1,261	1,981	3,301,115	677,408	3,978,523
Liabilities						
Short-term borrowings	469,893	-	-	469,893	-	469,893
Payables to clients	2,502,460	-	-	2,502,460	-	2,502,460
Other liabilities	-	-	-	-	199,494	199,494
Total liabilities	2,972,353	-	-	2,972,353	199,494	3,171,847
Interest sensitivity gap	325,520	1,261	1,981	328,762	477,914	806,676

3 FINANCIAL RISK MANAGEMENT (continued)

(f) Interest rate risk (continued)

As at 31 December 2004

	Up to 1 month	Total interest bearing	Non interest bearing	Total
	CZK'000	CZK'000	CZK'000	CZK'000
Assets				
Cash and short-term balances due from banks	187,036	187,036	-	187,036
Receivables from clients and balances on clients' accounts	883,851	883,851	8,210	892,061
Other assets	-	-	324,414	324,414
Total assets	1,070,887	1,070,887	332,624	1,403,511
Liabilities				
Short-term borrowings	14,715	14,715	-	14,715
Payables to clients	724,038	724,038	15,641	739,679
Promissory notes issued	7,742	7,742	-	7,742
Other liabilities	-	-	72,405	72,405
Total liabilities	746,495	746,495	88,046	834,541
Interest sensitivity gap	324,392	324,392	244,578	568,970

3 FINANCIAL RISK MANAGEMENT (continued)

(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:

	Carrying value		Fair value	
	2005	2004	2005	2004
	CZK'000	CZK'000	CZK'000	CZK'000
Loans provided within reverse repo transactions (Note 15)	190,244	29,864	190,244	29,864
Receivables from clients and balances on clients' accounts (Note 14)	3,045,757	892,061	3,045,757	892,061
Other assets (Note 21)	41,863	21,271	41,863	21,271
Short-term borrowings (Note 22)	469,893	14,715	469,893	14,715
Payables to clients (Note 23)	2,502,460	739,679	2,502,460	739,679
Promissory notes issued (Note 24)	-	7,742	-	7,742
Other liabilities and provisions (Notes 25 and 26)	121,634	59,429	121,634	59,429

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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Impairment losses on loans and advances

The Group reviews its loan and receivables portfolios to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans and receivables before the decrease can be identified with an individual loan or receivable in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (continued)

Impairment of available for-sale equity investments

The Group determines that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its cost. This determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates among other factors, the normal volatility in share price. In addition, impairment may be appropriate when there is evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

Income taxes

The Group is subject to income taxes in the Czech Republic. Certain estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5 NET INTEREST INCOME

	2005	2004
	CZK'000	CZK'000
Interest and similar income		
Cash and cash equivalents	2,933	1,626
Investment securities held to maturity	-	4,429
Reverse repos	6,609	3,511
Margin trading loans to clients	25,131	9,034
Other	28	93
	34,701	18,693
Interest expense and similar charges		
Banks loans	7,109	3,744
Promissory notes	-	452
Repos	467	523
Other loans	16	67
	7,592	4,786
Net interest income	27,109	13,907

6 NET FEE AND COMMISSION INCOME

	2005	2004
	CZK'000	CZK'000
Fee and commission income		
Commissions from brokerage activities	94,744	38,794
Corporate finance fees	54,445	44,933
Other fees	1,214	36
	150,403	83,763
Fee and commission expense		
Settlement fees and fees to intermediaries from brokerage activities	29,037	8,974
Corporate finance fees paid to subcontractors	875	727
Other	3,380	2,655
	33,292	12,356
Net fee and commission income	117,111	71,407

7 DIVIDEND INCOME

Dividend income represents dividends from trading securities.

8 NET TRADING INCOME

	2005	2004
	CZK'000	CZK'000
Trading result from equities	264,076	123,985
Trading result from debt securities	-	1
Net foreign exchange (losses)/gains	(8,272)	5,279
	255,804	129,265

Net foreign exchange gains/(losses) include gains and losses from short-term currency forwards. Trading result from equities include gains less losses from equity futures.

9 GAINS LESS LOSSES FROM INVESTMENT SECURITIES

	2005	2004
	CZK'000	CZK'000
Realised gains less losses from investment securities	4,505	505
Unrealised gains less losses from investment securities	-	416
	4,505	921

10 OTHER OPERATING INCOME

	2005	2004
	CZK'000	CZK'000
Income from online advertising services	10,089	6,300
Other income	3,040	3,507
	13,129	9,807

11 OTHER OPERATING EXPENSES

	2005	2004
	CZK'000	CZK'000
Staff costs	159,598	109,471
Depreciation and amortisation costs (Note 19 and 20)	8,169	7,480
Hardware and software costs	3,244	4,592
Operating lease payments	11,034	13,951
Communication and data processing	15,039	14,499
Professional services	16,108	4,437
Marketing	6,230	4,671
Travel expenses	2,966	1,686
Additions to provisions for contingencies (Note 26)	-	1,303
Other operating expenses	20,868	12,537
	243,256	174,627

11 OTHER OPERATING EXPENSES (continued)

Staff costs

	2005	2004
	CZK'000	CZK'000
Wages and salaries	129,520	79,474
Social security and health insurance	11,601	11,570
State pension contribution	18,477	18,427
	159,598	109,471

12 INCOME TAX EXPENSE

	2005	2004
	CZK'000	CZK'000
Current tax	56,057	17,427
Adjustment of prior year tax expense	36	2,286
Deferred tax (Note 27)	(450)	(82)
Share of tax of associates (Note 18)	37,235	15,356
Income tax expense	92,878	34,987

The reconciliation of expected tax expense at the statutory rate to actual tax expense for the years ended 31 December 2005 and 2004 is as follows:

	2005	2004
	CZK'000	CZK'000
Profit before taxation	324,370	106,079
Expected tax expense at statutory rate of 26% (2004: 28%)	84,336	29,702
Difference between expected and actual tax expense of associates	1,067	3,528
Adjustment of prior year tax expense	36	2,286
Permanent non-deductible expenses	15,485	3,809
Permanent non-deductible income	(4,793)	(4,187)
Utilisation of previously unrecognised tax losses	(315)	(127)
Recognition of deferred tax from previously unrecognised tax losses (Note 27)	(2,712)	-
Impact of change of the tax rate	(226)	(24)
Income tax expense	92,878	34,987

13 CASH AND SHORT-TERM BALANCES DUE FROM BANKS

	31 December 2005	31 December 2004
	CZK'000	CZK'000
Cash in hand	243	387
Current accounts and term deposits	195,550	156,785
Loans up to 3 months provided within reverse repo transactions (Note 15)	190,244	29,864
Included in cash and cash equivalent (Note 30)	386,037	187,036

14 RECEIVABLES FROM CLIENTS AND BALANCES ON CLIENTS' ACCOUNTS

	31 December 2005	31 December 2004
	CZK'000	CZK'000
Receivables from brokers and dealers	97,879	7,437
Margin trading loans to clients	483,020	160,586
Clients' current accounts (Note 23)	1,736,472	600,802
Clients' term accounts (Note 23)	728,386	123,236
	3,045,757	892,061

Clients' accounts represent placements of clients' money in bank accounts in the name of Patria. The corresponding liability is recognised as Payables to clients in Note 23.

Margin trading represents loans provided to clients, who have concluded brokerage contracts with the Group, for financing part of their securities investments.

15 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:

	Resale agreements		Repurchase agreements	
	2005	2004	2005	2004
	CZK'000	CZK'000	CZK'000	CZK'000
Up to 3 months (Note 13, 22, 30)	190,244	29,864	3,643	9,405

15 RESALE AND REPURCHASE AGREEMENTS (continued)

The fair value of the securities underlying the resale agreements was CZK 258,793,000 (2004: CZK 37,827,000) out of which CZK 34,759,000 (2004: CZK 10,146,000) was sold or repledged. The fair value of securities underlying the repurchase agreements was CZK 3,682,000 (2004: CZK 12,034,000).

16 TRADING SECURITIES

As at 31 December 2005 and 2004 all trading securities are listed equity instruments.

As at 31 December 2005 and 2004 all trading liabilities represent short sales with equity securities.

17 INVESTMENT SECURITIES AVAILABLE FOR SALE

	31 December 2005	31 December 2004
	CZK'000	CZK'000
Investment securities available for sale		
Equity securities - shares of ČSOB	-	10,714

In 2005 the Company sold the entire available for sale portfolio of securities to another company in the KBC Group. The nominal value of the underlying shares was CZK 1,454,000.

The Company sold the entire held to maturity portfolio of securities before maturity in 2004. 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.

18 INVESTMENT IN ASSOCIATES

	2005	2004
	CZK'000	CZK'000
At the beginning of the year	232,541	186,882
Group's share of change recognized in the associate's equity included in the statement of changes in equity	6,214	9,385
Share of results before tax	139,115	51,630
Share of tax (Note 12)	(37,235)	(15,356)
	340,635	232,541

18 INVESTMENT IN ASSOCIATES (continued)

The Group's interest in its associates, which are unlisted, are as follows:

Name	Country of incorporation	Assets	Liabilities	Revenues	Profit	% interest held
		CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
2005						
PSE	Czech Republic	785,007	307,270	304,816	104,842	24.4
ČSOB AM	Czech Republic	375,909	90,824	302,343	88,394	79.4
		1,160,916	398,094	607,159	193,236	
2004						
PSE	Czech Republic	377,728	40,297	193,616	30,469	22.5
ČSOB AM	Czech Republic	234,787	37,768	145,411	37,030	79.4
		612,515	78,065	339,027	67,499	

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 using the equity method (Note 2(b)).

In 2005 and 2004, 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 using the equity method.

In 2005 PSE decreased its share capital by CZK 20,090,000 (2004: by CZK 40,912,000) and the Company's shareholding in PSE increased by 1.9% to 24.4% (2004: by 5.3% to 22.5%). The Group's share of this change of CZK 6,214,000 (2004: CZK 9,385,000) was recognized directly in the statement of changes in equity.

19 PROPERTY AND EQUIPMENT

	Buildings	Equipment	Total
	CZK'000	CZK'000	CZK'000
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	(28)	(4,022)	(4,050)
Closing net book amount	-	4,791	4,791
At 31 December 2004			
Cost	1,411	21,352	22,763
Accumulated depreciation	(1,411)	(16,561)	(17,972)
Net book amount	-	4,791	4,791
Year ended December 2005			
Opening net book amount	-	4,791	4,791
Additions	15,952	13,720	29,672
Disposals	-	(8,289)	(8,289)
Depreciation charge	(498)	(2,296)	(2,794)
Closing net book amount	15,454	7,926	23,380
At 31 December 2005			
Cost	15,952	20,465	36,417
Accumulated depreciation	(498)	(12,539)	(13,037)
Net book amount	15,454	7,926	23,380

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

20 INTANGIBLE ASSETS

The movements in intangible assets are as follows:

	Software CZK'000
Year ended December 2004	
Opening net book amount	9,180
Additions	2,532
Disposals	(230)
Amortisation charge	(3,430)
Closing net book amount	8,052
At 31 December 2004	
Cost	24,207
Accumulated amortisation	(16,155)
Net book amount	8,052
Year ended December 2005	
Opening net book amount	8,052
Additions	5,465
Disposals	-
Amortisation charge	(5,375)
Closing net book amount	8,142
At 31 December 2005	
Cost	34,010
Accumulated amortisation	(25,868)
Net book amount	8,142

21 OTHER ASSETS

	31 December 2005	31 December 2004
	CZK'000	CZK'000
Guarantee fund at PSE	7,024	7,441
Trade receivables	11,720	6,455
Operational advances paid	18,043	3,295
Receivables from employees	3,299	2,664
Other receivables	1,777	1,416
	41,863	21,271

22 SHORT-TERM BORROWINGS

	31 December 2005	31 December 2004
	CZK'000	CZK'000
Bank loans – up to 3 months (Note 30)	466,250	-
Other bank loans	-	5,310
Loans provided within repo operations - up to 3 months (Notes 15, 30)	3,643	9,405
	469,893	14,715

23 PAYABLES TO CLIENTS

	31 December 2005	31 December 2004
	CZK'000	CZK'000
Payables to brokers and dealers	37,602	15,641
Payables to clients resulting from clients' current accounts and term deposits (Note 14)	2,464,858	724,038
	2,502,460	739,679

24 PROMISSORY NOTES ISSUED

Promissory notes matured within one month from origination. In 2004, promissory notes were issued in CZK and their average interest rate was 2.13% p.a.

25 OTHER LIABILITIES

	31 December 2005	31 December 2004
	CZK'000	CZK'000
Payables to employees	38,680	3,495
Due to social security institutions	12,577	2,520
Accruals and deferred income	12,290	34,040
Trade payables	35,512	9,338
Other liabilities	17,679	5,140
	116,738	54,533

26 PROVISIONS

As at 31 December 2005 and 2004 a provision of CZK 4,896,000 was set aside for a legal case resulting from certain securities transactions in 2001, which were originated in the normal course of business. The provision is not discounted as the timing of the outcome is uncertain and effect of discounting is not significant. The management in convinced that the outcome of this legal proceeding will not have any further adverse impact on the Company.

27 DEFERRED TAX

Deferred income tax is calculated on all temporary differences using the full liability method at a tax rate of 24% (2004: 26%).

The movement on deferred income tax is as follows:

	2005	2004
	CZK'000	CZK'000
Balance at 1 January	1,488	1,406
Deferred income tax credit for the year (Note 12)	450	82
Balance as at 31 December	1,938	1,488

27 DEFERRED TAX (continued)

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

	2005	2004
	CZK'000	CZK'000
Deferred income tax asset		
Payment of health and social insurance on bonuses deferred to next year	-	1,773
Tax losses carried forward	2,712	-
Provisions for bad debts	-	232
	2,712	2,005
Deferred income tax liability		
Depreciation and amortisation of fixed assets	(774)	(517)
	1,938	1,488

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

	2005	2004
	CZK'000	CZK'000
Net deferred tax asset		
Patria Direct, a.s.	-	86
Patria Online, a.s.	2,510	-
Patria Finance CF, a.s.	-	85
Patria Finance, a.s.	-	1,317
	2,510	1,488
Net deferred tax liability		
Patria Direct, a.s.	(28)	-
Patria Finance CF, a.s.	(284)	-
Patria Finance, a.s.	(260)	-
	(572)	-
	1,938	1,488

The net deferred tax asset of Patria Online, a.s. at 31 December 2005 consists of the deferred tax asset of CZK 2,712,000 from tax losses carried forward and the deferred tax liability of CZK 202,000 from the accelerated tax depreciation of fixed assets.

27 DEFERRED TAX (continued)

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

	2005	2004
	CZK'000	CZK'000
Accelerated tax depreciation	(257)	(1,169)
Payment of health and social insurance on bonuses deferred to next year	(1,773)	(615)
Provisions for bad debts	(232)	(232)
Tax losses carried forward	2,712	1,934
Income statement credit/(charge) (Note 12)	450	(82)

Deferred income tax assets are recognised for tax losses carry-forward only to the extent that realisation of the related tax benefit is probable. One Group subsidiary has tax losses of CZK 22,756,000 (2004: CZK 23,969,000) to carry forward against future taxable income. In 2005, the Group recognised the deferred tax asset from tax losses of CZK 11,300,000 (2004: CZK 0).

28 SHAREHOLDERS' EQUITY

The total authorised share capital as at 31 December 2005 and 2004 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 was as follows:

	2005	2004
	%	%
KBC Bank N.V.	-	75
KBC Securities N.V.	100	25

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

28 SHAREHOLDERS' EQUITY (continued)

Share capital and statutory reserves

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note. No dividends were declared for 2005 and 2004.

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.

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).

29 CONTINGENCIES AND COMMITMENTS

(a) Capital commitments

At 31 December 2005 and 2004, the Group had no capital commitments with respect to buildings and equipment purchases.

(b) Operating lease commitments

The future minimum lease payments entered into by the Group as at 31 December 2005 are as follows:

	Office space CZK'000 31 December 2005	Office space CZK'000 31 December 2004
Current (within one year)	6,186	2,362
Due after one year but within five years	33,568	-
Due after five years	21,922	-
	61,676	2,362

30 CASH AND CASH EQUIVALENTS

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

	31 December 2005	31 December 2004
	CZK'000	CZK'000
Cash and short-term balances due from banks (Note 13)	386,037	187,036
Loans up to 3 months received within repo operations (Note 15, 22)	(3,643)	(9,405)
Bank loans up to 3 months (Note 22)	(466,250)	-
	(83,856)	177,631

31 RELATED PARTY TRANSACTIONS

The Group is under the control of KBC Group. All Group companies, associated undertakings and management of the Company are considered to be related parties.

31 RELATED PARTY TRANSACTIONS (continued)

Balances arising from transactions with related parties include loans, deposits and other trade receivables and payables. The volume of related party transactions, outstanding balances at the year end, and related expenses and incomes for the year are as follows:

Related party	Parent		PSE		Directors and key management personnel		Other related parties	
	2005	2004	2005	2004	2005	2004	2005	2004
Assets	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Current and term accounts, clients' current and term accounts included	-	-	-	-	-	-	2,424,522	611,491
Guarantee fund PSE	-	-	7,024	7,441	-	-	-	-
Trading receivables	-	-	-	-	-	-	-	603
Investment securities (Note 17)	-	-	-	-	-	-	-	10,714
	-	-	7,024	7,441	-	-	2,424,522	622,808
Liabilities								
Bank loans from ČSOB (Note 22)	-	-	-	-	-	-	466,250	5,310
Management remuneration	-	-	-	-	41,909	3,630	-	-
Other payables	1 923	-	-	-	-	-	-	5
	1 923	-	-	-	41,909	3,630	466,250	5,315

31 RELATED PARTY TRANSACTIONS (continued)

Related party	Parent		Associates		Directors and key management personnel		Other related parties	
	2005	2004	2005	2004	2005	2004	2005	2004
Assets	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000	CZK'000
Interest expense	-	-	-	-	-	-	6,700	1,960
Bank commissions and fees	-	-	-	-	-	-	772	502
Settlement fee paid to PSE	-	-	32,558	17,716	-	-	-	-
Custody of foreign securities	-	-	-	-	-	-	6,406	4,028
Management remuneration	-	-	-	-	85,619	40,083	-	-
Intermediary cost	-	-	-	-	-	-	2,273	3,991
Finders fee	-	-	-	-	-	-	18	277
Total expense	-	-	32,558	17,716	85,619	40,083	16,169	10,758
Interest income	-	-	-	-	-	-	3,036	2,811
Income from securities trading	14,685	-	-	-	-	-	-	-
Consultancy fees	5,055	5,389	-	-	-	-	1,508	-
Total income	19,740	5,389	-	-	-	-	4,544	2,811

Management remuneration comprise only short-term employee benefits.

Other related parties represent mainly transactions and balances with ČSOB.

32 SUBSEQUENT EVENTS

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