

WOOD & Company Financial Services, a.s.

Financial Statements for the Year Ended 31 December 2005
in accordance with
International Financial Reporting Standards

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INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	NOTES	31 December 2005 CZK '000	31 December 2004 CZK '000
Interest income		2,811	1,863
Interest expense		-2,528	-10,643
Net interest expense	7	283	-8,780
Net fees and commissions	8	77,361	63,051
Net profit on financial operations	9	3,375	-1,813
Other income	10	87,953	38,953
Total operating income		168,689	100,191
Administrative and other expenses	11	-102,841	-53,796
Depreciation	19	-5,403	-3,552
Total operating costs		-108,244	-57,348
Profit before income taxes		60,728	34,063
Income taxes	12	-16,173	-10,430
Deferred tax	12	-13	-79
Net profit		44,542	23,554

The income statement is also presented in US Dollars on page 7.

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

These financial statements were approved by the Management Board on 24 March 2006.

Signed on behalf of the Management Board:

Jan Sýkora

BALANCE SHEET AS OF 31 DECEMBER 2005 AND 31 DECEMBER 2004

	NOTES	31 December 2005 CZK '000	31 December 2004 CZK '000
ASSETS			
Current assets			
Cash and deposits with banks	13	324,495	89,156
Trading securities	14	65,963	10,359
Trade and other receivables	15	526,907	191,753
Prepayments, accrued income and other assets	16	27,556	9,183
Securities available for sale	17	3,398	3,398
<i>Total current assets</i>		<i>948,319</i>	<i>303,849</i>
Non-current assets			
Deferred tax assets	12	0	0
Long-term receivables	18	545	769
Intangible fixed assets	19	1,654	834
Tangible fixed assets, net	19	13,117	8,785
<i>Total non-current assets</i>		<i>15,316</i>	<i>10,388</i>
Total assets		963,635	314,237
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	20	27,000	27,000
Reserve fund	20	2,493	1,325
Net Profit	20	44,542	23,554
Profit from previous periods	20	22,212	-175
<i>Total capital and reserves</i>		<i>96,247</i>	<i>51,704</i>
Long-term subordinated debt	21	200,000	62,095
Capital and subordinated debt total		296,247	113,799
Deferred tax liability	12	23	11
Other non-current liabilities	21	2,874	2,008
<i>Total non-current liabilities</i>		<i>202,897</i>	<i>64,114</i>
Current liabilities			
Amounts due to banks		95,858	86
Trade and other payables	22	557,485	189,468
Accruals and other liabilities	23	2,400	2,122
Income tax payable	12	8,748	6,743
<i>Current liabilities total</i>		<i>664,491</i>	<i>198,419</i>
Total equity and liabilities		963,635	314,237

The balance sheet is also presented in US Dollars on page 8.

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

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED
31 DECEMBER 2005**

	Share capital	Reserve fund	Accumulated profit/(loss)	Total
	CZK '000		CZK '000	CZK '000
Balance at 31 December 2004	27,000	1,325	23,379	51,704
Dividends				
Reserve fund		1,168	-1,168	
Profit for 2005			44,542	44,542
Balance at 31 December 2005	27,000	2,493	66,753	96,246

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

CASH-FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	31 December 2005 CZK '000	31 December 2004 CZK '000
CASH FLOW FROM OPERATING ACTIVITIES		
Interest and commission received	162,696	94,427
Interest and commission paid	-86,458	-39,548
Dividends received	133	54
Net profit from financial operations	3,242	8,920
Personnel and administrative expenses	-31,791	-22,137
Other operating expenses	-71,051	-31,548
Other income	87,953	38,953
<i>Operating profit before changes in operating assets</i>	64,725	49,121
Trade and other receivables	-334,930	35,589
Trading shares	-55,604	-6,930
Other assets	-18,373	-5,574
<i>(Increase)/decrease in operating assets</i>	-408,907	23,085
Trade and other payables	368,017	-22,576
Other liabilities	291	1,788
<i>Increase/(decrease) in operating liabilities</i>	368,308	-20,788
Net cash from operating activities before income taxes	24,125	51,418
Income taxes paid	-18,178	-6,731
NET CASH FROM OPERATING ACTIVITIES	5,948	44,687
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of securities for sale	-	-2,398
Purchase of property, plant & equipment	-5,125	-2,732
NET CASH USED IN INVESTING ACTIVITIES	-5,125	-5,130
CASH FLOW FROM FINANCING ACTIVITIES		
Additional subordinated debt drawn	137,905	0
Non-current liabilities	866	-1,888
Net change in short-term debt	95,773	-
Dividends Paid	-	-7,680
NET CASH USED IN FINANCING ACTIVITIES	234,543	-9,568
NET INCREASE IN CASH AND CASH EQUIVALENTS	235,339	29,989
CASH AT THE BEGINNING OF PERIOD	89,156	59,167
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	324,495	89,156

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

1. FINANCIAL STATEMENTS PRESENTED IN US DOLLARS

The functional currency of the Company is the Czech crown ('CZK'). The figures are presented with accuracy to CZK thousand ("CZK '000"). The balance sheets and the income statement are also presented below in USD for reporting purposes. The reason for such presentation is mainly the foreign counterparties and readers of these financial statements. The balance sheets were translated using the exchange rate announced by the Czech National Bank as of 30 December 2005 (CZK/USD 24.588) and the income statement was translated using the average exchange rate during 2005 (CZK/USD 23.947).

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	NOTES	31 December 2005 USD thousand	31 December 2004 USD thousand
Interest income		117	72
Interest expense		-106	-414
Net interest expense	7	11	-342
Net fees and commissions	8	3,231	2,453
Net profit on financial operations	9	141	-71
Other income	10	3,673	1,516
Total operating income		7,045	3,898
Administrative and other expenses	11	-4,295	-2,093
Depreciation	19	-226	-138
Total operating costs		-4,521	-2,231
Profit before income taxes		2,535	1,325
Income taxes	12	-675	-406
Deferred tax	12	-1	-3
Net profit		1,859	916

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005 – CONTINUED



BALANCE SHEET AS OF 31 DECEMBER 2005 AND 31 DECEMBER 2004

	NOTES	31 December 2005 USD '000	31 December 2004 USD '000
ASSETS			
Current assets			
Cash and deposits with banks	13	13,197	3,986
Trading securities	14	2,683	463
Trade and other receivables	15	21,430	8,574
Prepayments, accrued income and other assets	16	1,121	411
Securities available for sale	17	138	152
<i>Total current assets</i>		<i>38,569</i>	<i>13,586</i>
Non-current assets			
Deferred Tax Assets	12	0	0
Long-term receivables	18	22	34
Intangible fixed assets	19	67	37
Tangible fixed assets, net	19	533	393
<i>Total non-current assets</i>		<i>622</i>	<i>464</i>
Total assets		39,191	14,050
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	20	1,098	1,207
Reserve fund	20	101	59
Reserves	20	1,812	1,053
Profit from previous periods	20	903	-8
<i>Total capital and reserves</i>		<i>3,914</i>	<i>2,311</i>
Long-term subordinated debt	21	8,134	2,776
Capital and subordinated debt total		12,048	5,086
Other non-current liabilities	21	117	90
<i>Total non-current liabilities</i>		<i>8,251</i>	<i>2,866</i>
Current liabilities			
Amounts due to banks		3,898	4
Trade and other payables	22	22,673	8,472
Accruals and other liabilities	23	98	95
Income tax payable	12	356	302
Deferred tax payable	12	1	0
<i>Total current liabilities</i>		<i>27,026</i>	<i>8,873</i>
Total equity and liabilities		39,191	14,050

2. PRINCIPAL DEVELOPMENTS

WOOD & Company Financial Services, a.s. (henceforth the “Company”), having its registered office address at Václavské náměstí 772/2, 110 00 Prague 1, was registered as a joint stock company in accordance with the Commercial Code and was formally entered into the Register of Companies held at the Commercial Court.

The Company was founded as a joint stock company on 25 July 2001 and assumed the business of Wood & Co., s.r.o., the largest stock broker operating on the Czech market since 1991. This transaction was implemented in response to a legislative change which has required all securities traders to continue carrying on their business activities as joint stock companies.

The Company is engaged in brokering transactions with shares both for Czech and international clients operating on capital markets in Central and Western Europe. The Company executes transactions for its clients on the Prague Stock Exchange (PSE) as a full member. In addition Wood & Co. executes transactions on Frankfurt, Budapest and Warsaw Stock Exchanges as the remote member as well we on other markets in Central and Western Europe in co-operation with other partnership brokers. Wood & Co. also provides Czech and international enterprises and institutions with advisory services relating to corporate finance, mergers and acquisitions, capital markets transactions and fund raising.

The Company is authorised to provide these principal and auxiliary investment services pursuant to a licence issued by the Securities Commission and its membership on the PSE.

Capital Structure and Financial Resources of the Company

In 2005, Wood & Co. further strengthen its financial position. The Company’s equity of CZK 51,704 thousand as of 31 December 2004 increased by approximately 86% percent to CZK 96,246 thousand primarily as a result of the profit generated during the year 2005. In addition to capital, the Company uses a long-term subordinated loan facility in the amount of CZK 200,000 thousand as of 31 December 2005 for funding its stock trading activities; the subordinated loan facility will mature in 2009. Management considers the subordinated loan facilities to form part of the regulatory capital base of the Company and should be taken into account in external credit assessments of the Company. On this basis the aggregate capital and long-term funding base of the Company is USD 12,048 thousand as of 31 December 2005.

The total equity, subordinated debt and other facilities available to the Company as of 31 December 2005 are analysed below:

	As of 31 December 2005	As of 31 December 2004
	USD '000	USD '000
Share capital	1,098	1,207
Reserves	1,812	1,053
Reserve fund	101	59
Profit/loss from previous periods	903	-8
Long-term subordinated debt	8,134	2,776
Total capital and subordinated debt	12,048	5,087

In addition to its internal funding the Company secured additional renewable overdraft facilities from Citibank, CSOB Bank, BAWAG Bank and Česká spořitelna. Utilisation of these facilities is limited only to the financing of settlement imperfections and the guarantee funds of various stock exchanges.

The shareholder structure

The shareholders of the Company at the date of issuance of this report are as follows:

Wood and Company Financial Services, AG (75% share)
Lubomír Šoltýs (25% share)

Board of Directors:

The principle rule agreed among the shareholders and directors of the firm is that the shareholders/directors of the Company will be represented on the Board of Directors as follows.

Chairman - Jan Sýkora, Director - Czech Republic

Vice Chairwoman - Andrea Ferancová, Director - Sales and Trading

Member – Lubomír Šoltýs, Director of the Slovak Republic Operations

Member – Vladimír Jaroš, Director – Investment Banking

Supervisory Board:

Chairman - Petr Musil

Member - Václav Polák

Member - Jan Pavlík

2.1. Evaluation of Business Activities in 2005

- *Brokerage business* – in year 2005 the Company experienced further significant increase in trading volumes. The Company entered into transactions with Czech and foreign equities amounting to USD 19,8 billion and USD 1,7 billion, respectively. The Company's market share reached 22,8 percent in respect of trading with shares on the Prague Stock Exchange. The Company pursued its effort to broaden its product portfolio and became a member of Vienna, Budapest and Frankfurt Stock Exchanges where it started to gain market share and become the most active remote member in the region. Wood & Co. become the second most active broker in the CEE region after KBC group measured by trading volumes.
- *Advisory services relating to investment banking, capital markets and mergers and acquisitions* – 2005 was another milestone year for Wood & Co. both in terms of the number of transaction closed as well as in terms of the volume and complexity of the executed transactions. In 2005, Wood & Co. closed 13 transactions in an aggregate value of EUR 4,5 billion. The key transaction for Wood in 2005 was the successful privatisation of Český Telecom where WOOD & Co successfully advised Telefonica on the acquisition of a 51% stake in Český Telecom including the subsequent mandatory buyout of 17% stake of Český Telecom. In addition Wood & Company executed three subsequent placements and bloc trades with Zentiva shares representing in total 36% of shares outstanding of Zentiva. Wood & Co. also acted as joint lead manager in the CZK 2 billion bond issue of Severomoravské vodovody a kanalizace. In addition, Wood & Co. secured lucrative sell-side or buy-side mandates on disposals of Fortuna, Prima TV, Vitaland and Severomoravská energetika. Wood also executed several other advisory mandates and assignments.

3. PRESENTATION OF FINANCIAL STATEMENTS

The reporting currency used in the unconsolidated financial statements is the Czech crown ('CZK') with accuracy to CZK thousands.

The comparative figures for the prior period on the face of the balance sheet, income statement and cash flow represent balances as of and for the year ended 31 December 2004.

4. BASIS OF ACCOUNTING

The unconsolidated financial statements are prepared in accordance with and comply with International Financial Reporting Standards ('IFRS') effective for the year ended 31 December 2005. The unconsolidated financial statements are prepared on the accrual basis of accounting whereby the effects of transactions and other events are recognised when they occur and are reported in the financial statements of the periods to which they relate, and on the going concern assumption. The financial statements include a balance sheet, a profit and loss statement, a statement of changes in shareholders' equity, a cash flow statement and notes to the financial statements.

The unconsolidated financial statements are prepared under the historical cost convention, as modified by the revaluation of available-for-sale securities, financial assets and financial liabilities held for trading and all derivative contracts at the balance sheet date. Assets that are not remeasured to fair value and suffered an impairment are stated at net recoverable amount.

The Company maintains its books of account and prepares statements for regulatory purposes in accordance with Czech Accounting Standards. The accompanying financial statements are based on the accounting records of the Company, together with appropriate adjustments and reclassifications necessary for fair presentation in accordance with IFRS.

The presentation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and their reported amounts of revenues and expenses during the reporting period. These estimates are based on the information available as of the date of the financial statements and actual results could differ from those estimates.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recognition of income and expense

The date of the recognition of the transaction in respect of purchases and sales of financial assets is the trade date. Interest income and expense are recognised in the profit and loss account when earned or incurred, on an accruals basis, through the line “Interest income” and “Interest expense.” Fees and commissions are recognised in the period to which they relate on an accruals basis, through the line “Fee and commission income”. Success fees based on merger and acquisition fees are recognised on completion of the individual transaction and when the condition necessary to achieve the success fee have been met.

The date of the recognition of the transaction in respect of cash transfers is the day on which funds are credited to (or debited from) a bank account.

Foreign Currency Translation

Transactions with foreign currencies (spot and forward transactions) and transactions with GDRs are translated into CZK using the market exchange rate ruling on the trade date of the relevant transaction.

Other transactions denominated in a foreign currency are translated into Czech crowns and accounted for using the official exchange rate announced by the Czech National Bank at the transaction date.

At the balance sheet date, assets and liabilities denominated in foreign currencies are translated into Czech crowns at the Czech National Bank’s exchange rate prevailing on that date. Realised and unrealised foreign exchange rate gains and losses arising from the translation of assets and liabilities denominated in foreign currencies into Czech crowns are recognised in the income statement as “Net profit or loss on financial operations.”

Income Taxation, Deferred Taxes

Non-tax deductible expenses are added to, and non-taxable income is deducted from the profit for the year to arrive at the taxable income to which the current tax rate is applied. Taxation is calculated in accordance with the provisions of relevant legislation in the Czech Republic based on the profit and loss recognised in the Income Statement prepared in accordance with Czech Accounting Standards. The statutory income tax rate effective for the year ended 31 December 2005 is 26 percent.

Deferred tax is provided using the balance sheet liability method on temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax is determined using tax rates effective in the periods in which the temporary difference is expected to be realised.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available.

Receivables

Trade receivables are stated at their net book value as reduced by appropriate allowances for estimated irrecoverable amounts.

Long-term receivables are stated at their net book value.

If there is any objective evidence that a receivable may be impaired (eg. deterioration of a debtor's financial health), the net book value of the receivable is reduced through a provision to its estimated recoverable value.

Tangible and Intangible Fixed Assets

Tangible and intangible fixed assets are stated at historical cost less accumulated depreciation together with accumulated impairment losses and increased by technical improvements. Fixed assets are depreciated indirectly through the accumulated depreciation charge. Depreciation is calculated on a straight line basis to write off the cost of tangible and intangible fixed assets over their estimated useful economic lives.

During the reporting period, the Company used the following estimated useful economic lives in years:

Type of assets	Depreciation period (in years)
Furniture and fixtures	3 – 10
Cars	4
Set of hardware equipment	3
Software	3

The Company periodically tests its assets for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Leasing

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised at their fair value and depreciated over the useful lives of assets. The capital element of each future lease obligation is recorded as a liability, while the interest elements are charged to the profit and loss statement over the period of the leases to produce a constant interest rate on the balance of capital payments outstanding.

Payments made under operating leases are charged to the profit and loss statement on a straight line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Financial Assets and Financial Liabilities

All financial assets and liabilities are recognised on the balance sheet including derivative financial instruments. They are recognised when the Company becomes a party to the contractual term of the instrument, and are initially recorded at cost (including transaction cost). All financial assets are remeasured to fair value, except for loans and receivables originated by the Company and not held for trading, held-to-maturity investments and equity instruments whose fair value cannot be reliably measured, which should be carried at amortised cost (where they have a fixed maturity) or cost (where they do not have a fixed maturity).

Financial liabilities, other than those held for trading and derivatives that are liabilities, are carried at net book value. Liabilities held for trading and derivatives that are liabilities are generally remeasured to fair value.

Securities

Securities held by the Company are categorised into portfolios in accordance with the Company's intent on the acquisition of the securities. The Company has allocated securities to the 'Held for trading' portfolio and the 'Available for sale' portfolio.

Trading securities are financial assets acquired by the Company for the purpose of active trading in the financial market, and generating a profit from fluctuations in prices in the short-term.

Available-for-sale securities are those financial assets that are not classified as securities held for trading or held-to-maturity investments.

All securities held by the Company are initially recognised using trade date accounting and are measured at cost which includes direct transaction costs associated with the acquisition of securities. Subsequent to the initial recognition, these securities are accounted for and stated at fair value.

The fair values of shares are determined using published public market prices: prices published on the PSE, RM-System or the Reuters system. The fair values of participation certificates are established using the price published by the manager of the relevant fund. If no public market price or a price published by the fund manager is available, the fair value is determined using the 'adjusted value of the security.' In circumstances where the fair value is not readily determinable from publicly available sources, a zero value is attributed to the security.

Fair value changes are recognised through the income statement line "Net profit on financial operations" with a corresponding entry to the relevant security accounts. If securities are sold, the difference between the carrying value of securities and their selling value at the sale settlement date is recorded as a gain or loss on the sale of securities to the income statement line "Net profit on financial operations."

All purchases and sales of securities that do not meet the ‘regular way’ settlement criterion (that is, within the time frame established generally by regulation or convention in the market place concerned) are treated as financial derivatives and are recognised on the face of the balance sheet upon settlement at fair value.

Repurchase agreements

Securities sold under repurchase agreements (‘repos’) are recorded as assets in the balance sheet lines ‘Trading Securities’ and the counterparty liability is included in ‘Amounts due to banks’ or ‘Trade and other payables’ as appropriate.

Securities purchased under reverse repurchase agreements (‘reverse repos’) are recorded off balance sheet where they are remeasured to fair value. The corresponding receivable arising from the provided loan is recognised as an asset in the balance sheet line ‘Trade and other receivables’.

The difference between the sale and repurchase price is treated as interest and accrued evenly to expenses/income over the life of the repo agreement using the effective interest rate.

In regard to the sale of a security acquired as collateral under a reverse repurchase transaction, the Company recognises in the balance sheet an amount payable from a short sale which is remeasured to fair value.

Derivative Financial Instruments and Hedging

In the normal course of business, the Company enters into contracts for derivative financial instruments which represent a financial instrument that requires a low initial investment relative to the nominal value of the contract. The derivative financial instruments used include only currency swaps and currency forwards. These financial instruments are used by the Company solely to hedge currency exposures associated with its transactions in the financial markets.

Derivative financial instruments are initially recognised at the value of the underlying instrument off balance sheet and subsequently are remeasured at their fair value in the balance sheet. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Derivative financial transactions, while providing economic hedges under the Company’s risk management positions, do not qualify for hedge accounting and are therefore treated as derivatives held for trading with the related fair value gains and losses reported in the income statement line ‘Net profit/(loss) on financial operations’.

Provisions

The Company recognises a provision when:

- It has a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the amount of the obligation.

6. CHANGES OF ACCOUNTING POLICIES

During the year ended 31 December 2005, the Company recognised no changes of its accounting policies.

At the date of authorisation of these financial statements, the following standards were in issue but not yet effective:

- IFRS 7 'Financial Instruments: Disclosures' (effective 1 January 2007);
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' in respect of cash flow hedge accounting (effective 1 January 2006);
- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 4 'Insurance Contracts' for financial guarantee contracts (effective 1 January 2006); and
- Amendments to IAS 1 'Presentation of Financial Statements' on capital disclosures (effective 1 January 2007).

The Company estimates that the adoption of these amendments in IFRS that will become effective subsequent to 1 January 2006 will not have a material impact on the financial statements for the year ending 31 December 2006.

7. NET INTEREST INCOME

Interest income totalling CZK 2,811 thousand (2004: CZK 1,863) is largely generated from term and current deposits with commercial banks and interest on repo transactions.

Interest expenses totalling CZK 2,528 thousand (2004: CZK 10,643) largely comprise bank interests.

8. NET FEES AND COMMISSIONS

	Year ended 31 December 2005 CZK '000	Year ended 31 December 2004 CZK '000
Net fees and commission income related to brokerage services for the clients	79,781	65,365
Net fees and commission income related to other services for the clients and other fees	107	87
Net fees and commissions expense related to administration of bank accounts	-2,527	-2,401
Total net fees and commissions	77,361	63,051

9. NET PROFIT ON FINANCIAL OPERATIONS

	Year ended 31 December 2005 CZK '000	Year ended 31 December 2004 CZK '000
Net profit from proprietary trading with securities	3,895	17,058
Net profit from foreign exchange transactions and foreign currency differences	-654	-18,925
Dividend income	134	54
Net profit on financial operations	3,375	-1,813

10. OTHER INCOME

	Year ended 31 December 2005 CZK '000	Year ended 31 December 2004 CZK '000
Income from corporate finance services	86,238	37,315
Income from administration services	126	322
Other operating income	1,589	1,316
Other income	87,953	38,953

The year-on-year increase in income from corporate finance services is attributable both to the successful completion of contracts brought forward from prior periods and performance of new engagements.

11. ADMINISTRATIVE EXPENSES

	Year ended 31 December 2005 CZK '000	Year ended 31 December 2004 CZK '000
Wages, salaries and bonuses	23,892	16,536
Social security costs	7,899	5,601
Employees' expenses	31,791	22,137
Other administrative expenses	69,760	30,474
Total administrative expenses	101,551	52,611
Other expenses	1,290	1,185
Total administrative and other expenses	102,841	53,796
Number of employees at the end of the period	29	22
Average number of employees during the period	26	23
Average employees' cost per employee	1,222	962

Other administrative expenses mainly comprise payments for services (CZK 16,963 thousand; CZK 13,952 thousand in 2004) including lease of office space, software and telecommunication services and audit, legal and tax advisory services (CZK 34,060 thousand; CZK 8,720 thousand in 2004).

12. TAXATION

The corporate tax rate for the year ended 31 December 2005 is 26 percent. The Company's tax liability is calculated based upon the accounting profit/(loss) according to Czech accounting standards taking into account tax non-deductible expenses and tax exempt income or income subject to a final withholding tax rate.

	Year ended 31 December 2005 CZK '000	Year ended 31 December 2004 CZK '000
Profit before tax (regular tax rate 26%)	60,728	34,062
Profit before tax (special tax rate 15%)	0	0
Profit before tax	60,728	34,062
Theoretical tax calculated at a tax rate of 28% and 15% respectively	15,789	9,537
Tax effect of non-taxable income	-321	-355
Tax effect of expenses that are not deductible for tax purposes	779	1,445
Tax effect of other allowances	-66	-117
Tax effect of IAS adjustments	-8	-80
Income tax expense	16,173	10,430
Deferred tax base	96	41
Deferred tax (liability)/-asset	23	11

Deferred income taxes are calculated from all temporary differences between the tax bases and carrying values using tax rates effective in the periods in which the temporary tax difference is expected to be realised, that is 26 percent for 2005, and 24 percent for 2006 onwards.

	Year ended 31 December 2005	Year ended 31 December 2004
	CZK	CZK
Deferred tax liabilities	0	0
Leases	-23	-11
Net deferred income tax assets/(liabilities)	-23	-11
Deferred tax asset movement		
Balance at the beginning of period	0	68
Movement in deferred tax assets	0	-68
Balance at the end of period	0	0
Deferred tax liability movement		
Balance at the beginning of period	-11	0
Movement in deferred tax liabilities	-12	-11
Balance at the end of period	-23	-11
Increase/decrease in deferred tax – profit and loss impact	-12	-79

13. CASH AND DEPOSITS WITH BANKS

	As of 31 December 2005	As of 31 December 2004
	CZK '000	CZK '000
Cash and cash equivalents	297	81
Current accounts with banks	157,147	69,185
Term deposits with banks	167,051	19,890
Total cash and deposits with banks	324,495	89,156

Total cash and deposits with banks represent the cash and cash equivalents for cash flow reporting purposes.

14. TRADING SECURITIES

	As of 31 December 2005	As of 31 December 2004
	CZK '000	CZK '000
Securities traded on Prague Stock Exchange	64,304	10,359
Securities traded on Budapest Stock Exchange	1,659	
Total trading securities	65,963	10,359

The securities represent shares issued by corporate entities only.

Shares traded on the Prague Stock Exchange are denominated in Czech crowns.

15. TRADE AND OTHER RECEIVABLES

	As of 31 December 2005	As of 31 December 2004
	CZK '000	CZK '000
Receivables from securities trading	521,630	174,504
Receivables from buy-sell transactions	0	11,909
Trade receivables	4,874	4,290
Prepayments made – short-term	402	270
Other receivables	1	780
Total trade and other receivables	526,907	191,753

Trade receivables totalling CZK 4,874 thousand predominantly represent invoices issued by the Corporate Finance department. The Company collects these invoices gradually during 2006.

Receivables from securities trading (CZK 521,630 thousand) include equity transactions for clients that remained unsettled at the 2005 year-end. These transactions were subsequently settled in early 2006.

16. PREPAYMENTS, ACCRUED INCOME AND OTHER ASSETS

	As of 31 December 2005	As of 31 December 2004
	CZK '000	CZK '000
Guarantee funds	25,206	7,441
Prepayments and accrued income	2,350	1,742
Total prepayments, accrued income and other assets	27,556	9,183

The guarantee funds represent the balance of assets deposited in the guarantee funds which matches the balance as of 31 December 2005 confirmed by UNIVYC, a.s. and the Polish guarantee fund

17. SECURITIES AVAILABLE FOR SALE

The Company's available-for-sale portfolio includes the shares of the Prague Stock Exchange amounting to CZK 3,398 thousand. Given their limited tradability, the securities are stated at cost.

18. LONG-TERM RECEIVABLES

Long term receivables in the total amount of CZK 545 thousand (CZK 769 thousand in 2004) are principally composed of long-term advances paid for rentals.

19. TANGIBLE AND INTANGIBLE FIXED ASSETS

	Software	Furniture and fixtures	Other equipment	Hardware	Total
	CZK '000	CZK '000	CZK '000	CZK '000	CZK '000
Cost					
1 January 2005	5,934	416	7,585	6,369	20,304
Additions	1,363	1,431	6,690	2,280	11,764
Disposals	0	55	1,989	120	2,164
31 December 2005	7,297	1,792	12,287	8,529	29,904
Accumulated depreciation					
1 January 2005	5,100	188	1,862	3,535	10,685
Depreciation	543	123	3,970	1,976	6,612
Disposals	0	55	1,989	120	2,164
Impairment charge	0	0	0	0	0
31 December 2005	5,643	256	3,844	5,391	15,133
Net book value					
1 January 2005	834	228	5,723	2,834	9,619
31 December 2005	1,654	1,536	8,443	3,138	14,771

As of 31 December 2005, the net book value of assets held by the Company under finance lease agreements was CZK 7,095 (2004: CZK 4,894 thousand). Lease liabilities in the total amount of CZK 5,225 (2004: CZK 3,150) thousand will be repaid in the future as follows: during 2006 the Company will pay lease instalments in the total amount of CZK 2,351 thousand (reported as Other payables – refer to Note 22), and CZK 2,874 thousand in the following years.

20. SHARE CAPITAL AND RESERVES

The registered share capital of the Company is represented by 27,000 shares with a nominal value of CZK 1,000 each. This share capital was recorded in the Register of Companies on 1 February 2002.

21. NON-CURRENT LIABILITIES

	As of 31 December 2004 CZK '000	As of 31 December 2004 CZK '000
Subordinated non-current liabilities	200,000	62,095
Deferred tax liabilities	23	11
Other non-current liabilities	2,874	2,008
Total	202,897	64,114

Subordinated non-current liabilities

During 2005, the subordinated debt was transferred into CZK and increased in connection with the financing of the Company to CZK 200.000 thousand. The subordinated debt may be repaid no sooner than in 2009 and the actual repayment is subordinated to the settlement of other payables of the Company.

Non-current liabilities include the Company's long-term payable arising from leased assets - refer to Note 19.

22. TRADE AND OTHER PAYABLES

	As of 31 December 2005 CZK '000	As of 31 December 2004 CZK '000
Trade payables	12,800	4,966
Payables from securities trading	534,296	176,838
Payables from securities arising from the short position	1,524	3,272
Other payables	8,818	4,163
State budget payables	0	225
Fair value of unsettled FX spots	47	4
Total trade and other payables	557,485	189,468

Trade payables consist of payables to suppliers that remained outstanding at the 2005 year-end. These payables were settled during January 2006.

Payables from securities trading include equity transactions for clients that remained unsettled at the 2005 year-end. These transactions were subsequently settled in early 2006.

Other payables predominantly include payables to the Company's staff that remained outstanding at the 2005 year-end. These payables were subsequently settled during January 2006.

23. ACCRUALS AND OTHER LIABILITIES

	As of 31 December 2005 CZK '000	As of 31 December 2004 CZK '000
Deferred income and accrued expenses	0	4
Estimated liabilities	2,400	2,118
Total accruals and other liabilities	2,400	2,122

24. AMOUNT DUE TO BANKS

Amounts due to banks are composed of overdraft loans that serve as a source for the short-term financing of securities transactions.

25. FOREIGN CURRENCY RISK

The Company principally conducts its business in Czech crowns. The Company established rules in respect of the holding of current assets, specifically cash denominated in individual currencies, pursuant to its internal guidelines for foreign currency risk management.

Responsibility for foreign currency risk management lies with the Treasury department which monitors, on an ongoing basis, foreign currency positions in respect of current assets and decides on their structure and amount specifically in relation to the currency structure of long-term liabilities.

Set out below is an analysis of selected assets and liabilities of the Company as of 31 December 2005 in CZK thousand:

Currency:	CZK	USD	EUR	Other	Total
Cash and deposits with banks	31,049	22,976	129,158	141,312	324,495
Trading securities	64,304			1,659	65,963
Trade and other receivables	378,230	5,737	12,420	130,520	526,907
Prepayments, accrued income and other assets	26,846			710	27,556
Securities available for sale	3,398				3,398
Deferred tax assets	0				0
Tangible and intangible fixed assets, net	14,771				14,771
Long-term receivables	545				545
Total assets	519,143	28,712	141,578	274,202	963,635
Share capital	27,000				27,000
Net Profit	44,542				44,542
Profit from previous periods	22,212				22,212
Reserve Fund	2,493				2,493
Subordinated debt	200,000				200,000
Other non-current liabilities	2,874				2,874
Amounts due to banks	142		95,716		95,858
Trade and other payables	311,937	212	8,705	236,631	557,485
Accruals and other liabilities	2,400				2,400
Income tax payable	8,748				8,748
Deferred tax	23				23
Total liabilities	622,371	212	104,421	236,631	963,635
Net on balance sheet currency position as of 31 December 2005	-103,228	28,500	37,157	37,571	0
Net on balance sheet currency position as of 31 December 2004	-1,791	-33,267	35,300	-242	0

26. LIQUIDITY RISK MANAGEMENT

The Company's liquidity management is based on the fact that the majority of the operations and transactions negotiated by the Company are settled in compliance with the T+2 or T+3 principle (trade date + 2 or 3 business days). Responsibility for managing the Company's liquidity rests with the Treasury department which closely cooperates with the Settlement department. The Treasury department primarily undertakes analyses of maturity and currency structures of future receivables and payables to ensure that the Company constantly carries a sufficient amount of assets readily convertible into cash.

In addition, the Company's internal guidelines set out volumes of purchases and sales that a dealer is authorised to enter into on his account during one trading day and the amount of the securities that the dealer may hold on his account at the end of the trading day.

Authorised employees of the Trading, Treasury and Settlement departments carry out checks for compliance with the set limits during the day.

Set out below is an analysis of assets and liabilities of the Company as of 31 December 2005 according to remaining maturity in CZK thousand. Items with unspecified maturity are included in the column "Maturity undefined".

Maturity:	On demand	Under 3 months	Under 1 year	Under 5 years	Over 5 years	Maturity undefined	Total
Cash and deposits with banks	157,444	167,051					324,495
Trading securities		65,963					65,963
Trade and other receivables		526,907					526,907
Prepayments, accrued income and other assets						27,556	27,556
Securities available for sale						3,398	3,398
Deferred tax assets							0
Tangible and intangible fixed assets, net						14,771	14,771
Long-term receivables				545			545
Total assets	157,444	759,921		545		45,725	963,635
Share capital						27,000	27,000
Reserves						44,542	44,542
Profit from previous periods						22,212	22,212
Reserve fund						2,493	2,493
Subordinated debt				200,000			200,000
Other non-current liabilities				2,874			2,874
Amounts due to banks	95,858						95,858
Trade and other payables		555,134				2,351	557,485
Accruals and other liabilities						2,400	2,400
Income tax payable			8,748				8,748
Deferred tax				23			23
Total liabilities	95,858	555,134	8,748	202,897	0	100,998	963,635
Net on balance sheet liquidity position as of 31 Dec 2005	61,586	204,787	-8,748	202,352	0	-55,273	0
Net on balance sheet liquidity position as of 31 Dec 2004	69,180	33,692	-10,034	-63,334	0	-29,504	0

27. 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.

Due to the nature of its operations the Company is not exposed to significant interest rate risk.

28. MARKET RISK MANAGEMENT

In order to measure and manage market risks, the Company primarily operates a system of limits arising from the Company's needs and external requirements.

The Company trades the following instruments that carry market risk:

- Shares traded on the Prague Stock Exchange; and
- Selected foreign shares.

The Company enters into currency forward and swap contracts to hedge its positions generating currency risk. These transactions are conducted over-the-counter (OTC).

29. ESTIMATED FAIR VALUE OF ASSETS AND LIABILITIES OF THE COMPANY

The carrying amounts of cash and cash equivalents, receivables, prepayments, other current assets, payables and current borrowings approximate their fair value due to the short-term maturity of these instruments.

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

	31 December 2005 Carrying value CZK '000	31 December 2005 Fair value CZK '000	31 December 2004 Carrying value CZK '000	31 December 2004 Fair value CZK '000
Financial liabilities				
Subordinated debt	200,000	200,000	62,095	58,583

30. SEGMENT REPORTING

The Company is not required to provide a segment reporting analysis under IFRS.

31. RELATED PARTIES

During the year, the Company entered into the following related party transactions:

31.1. Wood and Company Financial Services AG (WOOD AG)

The Company purchased and sold securities for WOOD AG for which it received a fee of CZK 107,807 thousand.

WOOD AG received a fee of CZK 30,600 thousand for the financing of trading and related risks.

As of 31 December 2005, the Company reports a receivable of CZK 21,638 thousand from WOOD AG which is included in 'Receivables from securities trading' in Note 15.

The Company also participated in the conducting of several advisory engagements of Wood AG for which it received a fee of CZK 512 thousand.

31.2. Wood Slovakia, a.s. (WOOD SK)

WOOD SK participated in several corporate finance engagements totaling CZK 13,045 thousand. The balances of receivables and payables as of 31 December 2005 were immaterial.

WOOD AG and WOOD SK are controlled and managed by the current shareholders of WOOD AS.

Remuneration of Statutory Bodies

During the reporting period, the Company paid no remuneration to the members of its statutory bodies in addition to their normal salaries.

Issued Loans, Borrowings or Other Benefits

During the reporting period, the Company provided its statutory bodies, shareholders or management with no loans, borrowings or other benefits.

32. CONTINGENT LIABILITIES

The Company's directors consider that the Company is not exposed to any contingent liabilities of any kind as of the date of the financial statements of the Company.

33. POST BALANCE SHEET EVENTS

No significant events that would have a material impact on the financial statements for the year ended 31 December 2005 occurred subsequent to the balance sheet date.

Independent Auditor's Report to the Shareholders of WOOD & Company Financial Services, a.s.

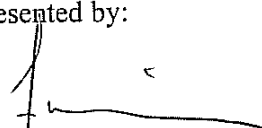
We have audited the accompanying financial statements of WOOD & Company Financial Services, a.s. for the year ended 31 December 2005. These financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on the financial statements, taken as a whole, based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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 statement 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, in all material respects, of the assets, liabilities and equity and financial position of WOOD & Company Financial Services a.s. as of 31 December 2005 and of the expenses, income and results of its operations for the year then ended in accordance with International Financial Reporting Standards.

In Prague on 31 March 2006

Audit firm:
Deloitte s.r.o.
Represented by:


Frederic Maziere, with power of attorney