Building a better working world

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Independent Auditor's Report

To the Shareholders, Supervisory Board and Board of Directors of Asseco Central Europe, a. s.:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Asseco Central Europe, a. s. (the Company), which comprise the Financial Statement of Financial Position as at 31 December 2020, Financial Statement of Income and Other Comprehensive Income, Financial Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU ("IFRS EU").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Act on Statutory Audit No 423/2015 Coll. and on amendments to the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Statutory Audit") related to ethics, including Auditor's Code of Ethics, that are relevant to our audit of the financial statements, and we have fulfilled other requirements of these provisions related to ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give true and fair view in accordance with IFRS EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

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aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Report on Information Disclosed in the Annual Report

Management is responsible for the information disclosed in the annual report, prepared based on requirements of the Act on Accounting No 431/2002 Coll., as amended by later legislation ("the Act on Accounting"). Our opinion on the financial statements expressed above does not apply to other information contained in the annual report.

In connection with audit of the financial statements it is our responsibility to understand the information disclosed in the annual report and to consider whether such information is not materially inconsistent with audited financial statements or our knowledge obtained in the audit of the financial statements, or otherwise appears to be materially misstated.

The annual report was not available to us as at the date of issue of the auditor's report on the audit of the financial statements.

When we obtain the annual report, we will consider whether the Company's annual report contains information, disclosure of which is required by the Act on Accounting and based on procedures performed during the audit of financial statements, we will express our opinion considering whether:

- Information disclosed in the annual report, prepared for 2020, is consistent with the financial statements for the relevant year,

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- The annual report contains information based on the Act on Accounting.

Additionally, we will disclose whether material misstatements were identified in the annual report based on our understanding of the Company and its situation, obtained in the audit of the financial statements.

15 March 2021
Bratislava, Slovak Republic

Ernst & Young Slovakia, spol. s r.o.
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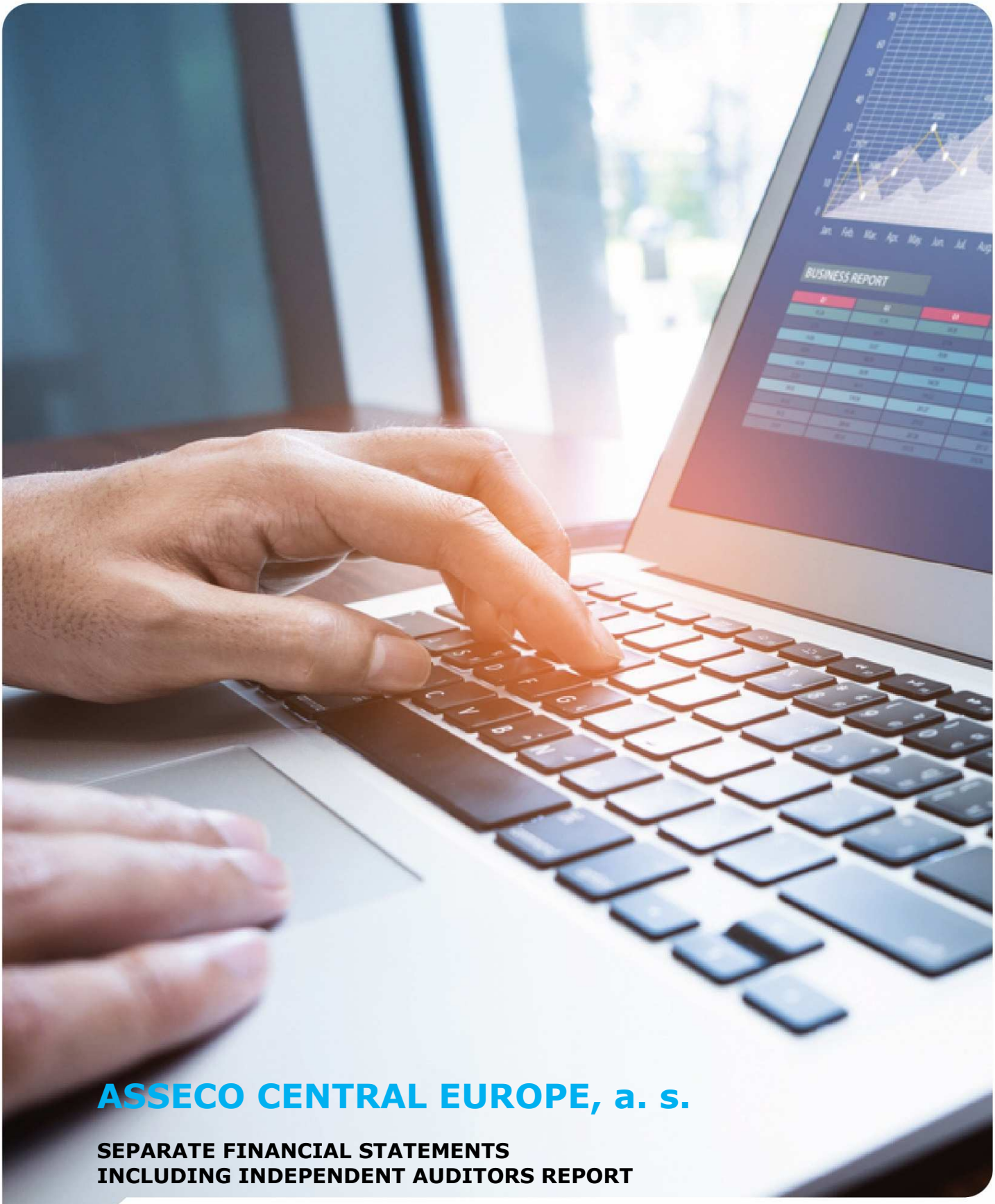
Ing. Peter Potoček, statutory auditor
UDVA Licence No. 992



ASSECO CENTRAL EUROPE, a. s.

SEPARATE FINANCIAL STATEMENTS
INCLUDING INDEPENDENT AUDITORS REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
as endorsed by the European Union

Bratislava, 15 March 2021

asseco

FINANCIAL STATEMENTS OF ASSECO CENTRAL EUROPE, a. s. INCLUDING INDEPENDENT AUDITORS REPORT FOR THE YEAR ENDED 31 DECEMBER 2020

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Financial Statements of Asseco Central Europe, a.s. including Independent Auditors´Report for the year ended 31 DECEMBER 2020

These financial statements were prepared on 15 March 2021 and authorized for publication by the Board of Directors of Asseco Central Europe, a. s. on 15 March 2021.

Board of Directors:

RNDr. Jozef Klein	Chairman of the Board of Directors
Ing. David Stoppani	Member of the Board of Directors
Ing. Branislav Tkáčik	Member of the Board of Directors

Person responsible for maintaining accounting books:

Zuzana Oravcová	Chief Accountant

Financial Statement of Income and Other Comprehensive Income

Asseco Central Europe, a. s.

INCOME STATEMENT	Note	12 months ended 31 Dec 2020	12 months ended 31 Dec 2019
Sales revenues	4.1	57,009	57,760
Cost of sales	4.2	(43,038)	(44,796)
Gross profit on sales		**13,971**	**12,964**
Selling costs	4.2	(620)	(745)
General and administrative expenses	4.2	(5,208)	(5,543)
Net profit on sales		**8,143**	**6,676**
Other operating income	4.3	66	45
Other operating expenses	4.3	(242)	(78)
Operating profit		**7,967**	**6,643**
Financial income	4.4	10,302	10,209
Financial expenses	4.4	(1,038)	(346)
Pre-tax profit		**17,231**	**16,506**
Corporate income tax *(current and deferred portions)*	4.5	(1,561)	(1,332)
Net profit for the period reported		**15,670**	**15,174**
Earnings per share attributable to Shareholders of Asseco Central Europe, a. s. (in EUR): Earnings per share form counting operations for the reporting period	4.6	**0,73**	**0,71**

OTHER COMPREHENSIVE INCOME			
Net profit for the period	4.6	**15,670**	**15,174**
Other items of comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD attributable to:		**15,670**	**15,174**
Shareholders of the Parent Company		**14,310**	**13,858**
Non-controlling interests		1,360	1,316

Financial Statement of Financial Position

Asseco Central Europe, a. s.

ASSETS	Note	31 Dec 2020	31 Dec. 2019
Non-current assets			
Property, plant and equipment	5.1	1,614	1,427
Intangible assets	5.2	3,042	3,328
Right-to-use assets	5.3	425	1,533
Investment in subsidiaries	5.5	102,510	102,510
Investment in associated companies	5.7	3,935	3,659
Non current loans	5.8	2,942	2,886
Non current other receivables	5.11	218	894
Deferred income tax assets	4.5	1,226	892
Non current deferred expenses	5.9	288	385
		116,200	**117,514**
Current assets			
Inventory	5.10	583	-
Trade accounts receivable	5.11	13,340	10,145
Withholding tax	4.5	19	614
Other receivables	4.5	1,802	5,725
Shares in non-listed companies	5.11	804	-
Loans granted	5.8	1,035	1,389
Other financial assets	5.8	218	2,781
Cash and short-term deposits	5.12	12,471	8,904
Deferred expenses	5.9	732	936
		31,004	**30,494**
TOTAL ASSETS		**147,204**	**148,008**

Financial Statement of Financial Position

Asseco Central Europe, a. s.

SHAREHOLDERS' EQUITY AND LIABILITIES	Note	31 Dec. 2020	31 Dec. 2019
Shareholders' Equity *(attributable to shareholders of the Parent Company)*			
Share capital	5.13	709	709
Share premium		74,901	74,901
Retained earnings (accumulated losses)		32,869	26,384
Total shareholders' equity		**108,479**	**101,994**
Non-current liabilities			
Interest-bearing bank credit, loans and debt securities	5.14	14,244	17,873
Financial non-current liabilities	5.15	-	-
Leased non-current liabilities	5.16	-	684
Other non-current liabilities	5.17	252	16
Deferred liability	5.19	276	427
		14,772	**19,000**
Current liabilities			
Trade liabilities	5.17	9,773	8,669
Corporate income tax payable	5.17	673	237
Liabilities to state and local budgets	5.17	1,488	1,629
Financial liabilities	5.15	16	6,089
Lease liabilities	5.16	448	907
Other liabilities	5.17	934	1,077
Provisions	5.18	126	126
Deferred income	5.19	490	439
Accrued expenses	5.19	3,692	3,068
Interest-bearing bank loans, other loans and debt securities	5.14	6,313	4,773
		23,953	**27,014**
TOTAL LIABILITIES		**38,725**	**46,014**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**147,204**	**148,008**

Financial Statement of Changes in Equity

Asseco Central Europe, a. s.

	Note	Share capital	Share premium	Retained earnings	Total shareholders' equity
As at 1 January 2020		**709**	**74,901**	**26,384**	**101,994**
Net profit for the reporting period		-	-	15,670	**15,670**
Dividend for 2019	4.7	-	-	(9,185)	**(9,185)**
As at 31 December 2020		**709**	**74,901**	**32,869**	**108,479**

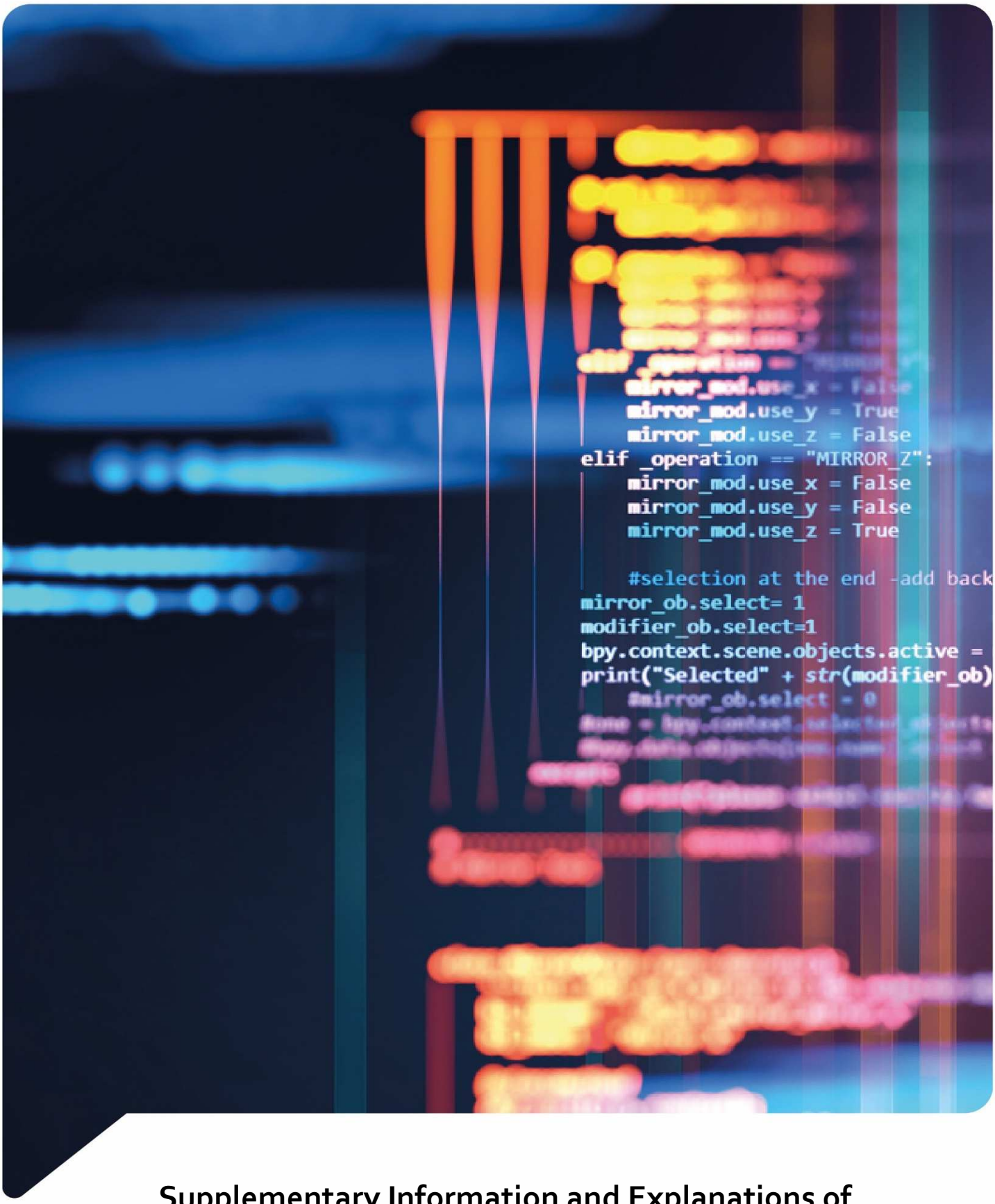
	Note	Share capital	Share premium	Retained earnings	Total shareholders' equity
As at 1 January 2019		**709**	**74,901**	**23,436**	**99,046**
Net profit for the reporting period		-	-	15,174	**15,174**
Dividend for the year 2018		-	-	(12,175)	**(12,175)**
IFRS 16 implementation impact 2018		-	-	(51)	**(51)**
As at 31 December 2019		**709**	**74,901**	**26,384**	**101,994**

Statement of Cash Flows

Asseco Central Europe, a. s.

	Note	12 months ended 31 Dec. 2020	12 months ended 31 Dec. 2019
Cash flows – operating activities			
Pre-tax profit		17,231	16,506
Total adjustments:		**(7,978)**	**(4,151)**
Depreciation and amortization	4.2	2,764	2,664
Changes in working capital	6.1	(1,666)	3,024
Interest income (expenses)		175	166
Gain (loss) on foreign exchange differences		125	32
Gain on investment activities (including dividends)		(10,028)	(9,965)
Profit on disposal of intangible assets		(41)	(30)
Income/cost from financial assets		362	(62)
Other financial Income/cost		172	34
Profit/loss on lease contract termination		(7)	-
Other		166	14
Net cash provided by operating activities		**9,253**	**12,355**
Corporate income tax paid		(1,459)	(1,146)
Net cash provided by (used in) operating activities		**7,794**	**11 209**
Cash flows – investment activities			
Proceeds from disposal of tangible fixed assets and intangible assets		46	30
Cash inflows from investments in debt instruments at amortized cost	6.2	2,718	718
Cash inflows from sales/realization of financial assets at fair value through P&L		30	-
Proceeds from sale of investment in subsidiaries	6.2	576	267
Acquisition of tangible fixed assets and intangible assets	6.2	(611)	(945)
Expenditures related to research and development projects	6.2	(171)	(192)
Purchase of financial assets	6.2	(464)	
Purchases of investments in debt instruments at amortized cost	6.2	(418)	(2,718)
Purchases/realization of financial assets at fair value through P&L		-	(38)
Acquisition of subsidiaries	6.2	(614)	(585)
Acquisition of associated companies	6.2	(638)	(1,598)
Loans collected (inflow)	6.2	-	62
Loans granted (outflow)	6.2	-	(1,030)
Interest received		90	43
Dividends received	6.2	13,144	6,479
Net cash provided by (used in) investment activities		**13,688**	**493**
Cash flows – financing activities			
Interest paid		(139)	(184)
Repayments of bank and other loans	6.3	(2,210)	(3,780)
Leases paid		(907)	(886)
Dividends paid to shareholders of the parent entity	6.3	(13,862)	(5,827)
Dividend paid to non-controlling interests	6.3	(797)	(875)
Net cash provided by (used in) financing activities		**(17,915)**	**(11,552)**
Net increase (decrease) in cash and cash equivalents		**3,567**	**150**
Net cash and cash equivalents as at 1 January		8,904	8,754
Net cash and cash equivalents as at 31 December	**5.12**	**12,471**	**8,904**

All figures in thousands of EUR, unless stated otherwise



Supplementary Information and Explanations of the Financial Statements

Supplementary Information and Explanations of the Financial Statements

I. General information

Asseco Central Europe, a. s. ("the Company", "the Parent Company", "the Issuer") is a joint-stock company with its registered seat at ul. Trencianska 56/A, 821 09 Bratislava, Slovakia. Company identification number (IČO) of the Company is 35760419 and its tax identification number (DIČ) of the Company is 2020254159.

The Company was established on 16 December 1999 under its original name of the Company ASSET Soft, a. s. which was changed to Asseco Slovakia, a. s. in September 2005 and the the new name entered in the Commercial Register on 21 September 2005. On 28 April 2010, the Company again changed its name to Asseco Central Europe, a. s. which was entered in the Commercial Register of the District Court Bratislava I of the Slovak Republic on the same day.

The Company's shares were listed on the main market of the Warsaw Stock Exchange from 10 October 2006.

On 11 April 2017 the Polish Financial Supervision Authority published the decision taken to change the Company's shares from book-entry to paper form and delist them from the Warsaw Stock Exchange. This decision became effective on 22 May 2017.

The direct parent of Asseco Central Europe, a. s. is Asseco International, a.s., which in turn is a wholly-owned subsidiary of the ultimate parent of the Asseco Group i.e., Asseco Poland S.A. As at 31 December 2020, Asseco International, a.s. held a 91.33% stake in Asseco Central Europe, a.s.

Asseco Central Europe, a. s. is the parent company of the Asseco Central Europe Group ("the Asseco CE Group"). The business profile of Asseco Central Europe, a. s. includes software and computer hardware consultancy, production and supply of software and hardware and related business activities.

In addition to comprehensive IT services, the Company also sells goods including mainly computer hardware. The sale of goods is to a large extent connected with the provision of software implementation services.

These financial statements provide a description of the Company's core business broken down by relevant segment.

These financial statements cover the period of 12 months ended 31 December 2020 and contain comparative data for the period of 12 months ended 31 December 2019. They contain the Statement of profit and loss, Statement of comprehensive income, Statement of Financial position, Statement of changes in equity and Statement of Cash Flows.

The Company prepares its annual financial statements in accordance with International Financial Reporting Standards (IFRS) endorsed by the EU for the current and comparative period. Asseco Central Europe, a. s. began to apply IFRS in 2006.

The Company prepared consolidated financial statements of the Asseco Central Europe Group in accordance with IFRS endorsed by the EU for the 12-month period ended 31 December 2020 and comparative period ended 31 December 2019, which were published on 16 March 2020. The consolidated financial statements of the Asseco Central Europe Group are available at the registered seat of the Parent Company.

Asseco Poland S.A. with its registered seat at ul. Olchowa 14, 35-322 Rzeszów, Poland prepares consolidated financial statements of the Asseco Group to which the Asseco Central Europe Group belongs.

Asseco Central Europe, a. s. is not an unlimited liability partner in any company.

Members of the Board of Directors (hereinafter "BoD") and Supervisory Board (hereinafter "SB") of Asseco Central Europe, a. s. as at 31 December 2020 and 15 March 2021 (date of publication) were as follows:

Board of Directors	Period	Supervisory Board	Period
Jozef Klein	01.01.2020-31.12.2020	Adam Góral	01.01.2020-31.12.2020
Marek Grác	01.01.2020-08.09.2020	Andrej Košári	01.01.2020-31.12.2020
David Stoppani	01.01.2020-31.12.2020	Marek Panek	01.01.2020-31.12.2020
Branislav Tkáčik	01.01.2020-31.12.2020	Przemysław Sęczkowski	01.01.2020-31.12.2020
		Miroslav Kepencay	01.01.2020-31.12.2020

II. Accounting principles applied when preparing financial statements

2.1. Basis for preparation of financial statements

The financial statements were prepared in accordance with the historical cost principle, except for derivative financial instruments which were measured at their fair value.

The presentation currency of these financial statements is euro (EUR), and all figures are presented in thousands of euro (EUR ´000), unless stated otherwise.

These financial statements were prepared on a going-concern basis, assuming the Company will continue its business activities in the foreseeable future.

Up to the date of approval of these financial statements, no circumstances indicating a threat to the Company's ability to continue as a going concern have been identified.

2.2. Impact of COVID-19 pandemic on the Companie business operations

As at the date of publication of these financial statements, based on the current analysis of risks and in particular those arising from the COVID-19 pandemic prevailing in Slovakia and worldwide, the Management Board concluded that the Group's ability to continue as a going concern over a period not shorter than 12 months from 30 December 2020 is not threatened.

The company is continuously monitoring how the situation caused by the COVID-19 pandemic affects the Company. Within its core business during year 2020, the Company has not recorded a material direct impact of the coronavirus on its overall financial position and economic results. However, the epidemiological situation affected the organizational aspect of the Companys operations. As a consequence of actions undertaken by Slovak authorities, for the sake of the Companys employees and customers, the Company has made efforts to enable most of our employees to work remotely in order to ensure business continuity and continued provision of IT services to our customers. At the time of publication of this report, the Company operate on an ongoing basis and fulfill their contractual obligations within the deadlines specified in relevant contracts.

Due to the existing circumstances, the Company is trying to minimize the possible negative effects of the pandemic on its future financial results, among others, by implementing local cost savings associated with performing business activities remotely. At the same time, the Company monitors the current situation in individual sectors of the economy, trying to take advantage of business opportunities which in the market of IT products and services are also created by the epidemic.

After a due analysis, the Company currently sees no significant risk of impairment of assets, including goodwill. We have also observed no significant changes in the collection of receivables, which is why the methodology for calculation of expected credit losses remained almost unchanged. The Company has sufficient financial resources to continue its business operations, including the settlement of current liabilities. The Company has not experienced a negative impact of the epidemic on its financial liquidity and fulfils its obligations under loan agreements and bonds on a timely basis. The Company used available public aid, which mostly consisted in deferring the payment deadlines for tax and legal liabilities and deferring loan repayments.

For obvious reasons, the Company cannot exclude the possibility that in the long run an undoubtedly negative impact of the pandemic on the overall economic situation in Slovak republic and in the world may also have an adverse effect on the operations or financial results of the Company in the future; however, it is now impossible to determine to what extent or scale this could occur.

2.3. Compliance statement

These financial statements have been prepared in accordance with IFRS endorsed by the EU. As at the date of authorization of these financial statements, in light of the current process of IFRS endorsement in the EU and the nature of the Company's activities, there is no difference between IFRS and IFRS endorsed by the EU. IFRS include standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC).

2.4. Functional currency and currency presentation

The Company's functional currency as well as the presentation currency of these financial statements is the euro (EUR) and all figures are presented in thousands unless otherwise stated.

Foreign currency transactions are initially recognized in the functional currency at the exchange rate at the transaction date. Assets and liabilities denominated in foreign currencies are translated using the exchange rate at the balance sheet date. Non-cash items denominated in foreign currencies are stated at historical prices and are translated using the exchange rate at the date of the transaction. Non-cash items denominated in a foreign currency at fair value are translated at the date at which the fair value is determined.

The following table shows the rates that were used for valuation in the balance sheet:

Currency	31 Dec 2020	31 Dec 2019
EUR	1.00000	1.00000
USD	1.22710	1.12340
CZK	26.24200	25.40800
GBP	0.89903	0.85080
HUF	363.89000	330.53000
PLN	4.55970	4.25680

2.5. Significant accounting judgments, estimates and assumptions

Preparing financial statements in accordance with IFRS requires judgements, estimates and assumptions which affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although the estimates and assumptions have been adopted on the basis of the Company management's best knowledge of the current activities and occurrences, the actual results may differ from those anticipated.

Details of the main areas subject to management's professional judgment and accounting estimates which, if changed, could significantly affect the Company's future results, are given below.

2.6. Changes in accounting policies

The accounting principles (policy) adopted in the preparation of these financial statements are consistent with those applied in preparing the Company's annual financial statements for the year ended 31 December 2020.

i. Amendments to the International Financial Reporting Standards effective from 1 January 2020:

- Amendments to IFRS 3 'Definition of a Business''
- Amendments to IFRS 7, IFRS 9, IFRS 7 and IAS 39: 'Interest Rate Benchmark Reform – Phase 1';
- Amendments to IAS 1 and IAS 9 'Definition of Material;
- Conceptual Framework for Financial Reporting issued on 29 March 2018;

These new standards and amendments have no significant impact on the financial statements Company´s. The Company did not decide on early adoption of any standard, interpretation or amendment which has been published but has not yet become effective.

2.7. New standards and interpretations published but not yet in force according to group principles

The following standards and interpretations were issued by the International Accounting Standards Board (IASB) and International Financial Reporting Interpretations Committee (IFRIC), but have not yet come into force:

- Amendments to IFRS 10 and IAS 28 'Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture' (issued on 11 September 2014) – work for the endorsement of these amendments has been postponed by the EU – the effective date of these amendments has been deferred indefinitely by the IASB;
- Amendments to IAS 1 'Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current' and 'Classification of Liabilities as Current or Non-current – Deferral of Effective Date' (issued on 23 January 2020 and 15 July 2020, respectively) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2023;

- Amendments to IFRS 3 'Reference to the Conceptual Framework' (issued on 14 May 2020) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 16 'Property, Plant and Equipment – Proceeds before Intended Use' (issued on 14 May 2020) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2022;
- Amendments to IAS 37 'Onerous Contracts – Cost of Fulfilling a Contract' (issued on 14 May 2020) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2022;
- Annual Improvements to IFRS Standards 2018-2020 (issued on 14 May 2020) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2022;
- Amendments to IFRS 4 'Insurance Contracts – Extension of the Temporary Exemption from Applying IFRS 9' (issued on 25 June 2020) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2023;
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: 'Interest Rate Benchmark Reform – Phase 2' (issued on 27 August 2020) – not yet endorsed by the EU till the date of approval of these financial statements – effective for annual periods beginning on or after 1 January 2021.

The Board of Directors of the Parent Company has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Company is currently conducting an analysis of how the amendments could impact its financial statements.

2.8. Correction of significant errors from prior periods

There were no events in the reporting period requiring corrections of any significant errors of prior periods.

III. Information on segments

The Company operates in the sector of information technology and telecommunications. Because the main business activities have a similar character, there is no reason to adopt the standard relating to segmental information. The organizational structure is homogeneous, without any independent part that would operate in different activities. On the basis of the above, the Company declares itself as one business segment.

The Company operates in more other regions, but almost 85 % of revenues come from the Slovak Republic. The rest come from the Czech Republic, where Asseco Central Europe has an international branch and from other countries are included in the financial statements submitted.

Geographical sectors are distinguished by the Company's geographical operations where economic activities are being conducted.

The figures in the tables below are after inter-company eliminations, and dividends are seen directly in the net profit of the reportable segment.

For 12 months ended 31 December 2020 and as at 31 December 2020	Slovak market	Czech/other market	Total
Sales revenues			
Sales to external customers	47,819	9,190	57,009
Operating profit (loss) of reportable segment	**6,683**	**1,284**	**7,967**
Interest income	212		212
Interest expense	(261)	-	(261)
Corporate income tax	**(1,349)**	**(258)**	**(1,607)**
Non-cash items:			
Depreciation and amortization	(2,764)	-	(2,764)
Impairment write-downs on segment assets	392	-	392
Net profit (loss) of reportable segment	**14,960**	**1,026**	**15,986**
Segment assets	145,431	2,135	147,566
Segment capital expenditures	**(611)**		**(611)**

The impairment write-downs on segment assets of EUR 392 thousand include allowances for receivables.

For 12 months ended 31 December 2019 and as at 31 December 2019	Slovak market	Czech/other market	Total
Sales revenues			
Sales to external customers	48,777	8,983	57,760
Operating profit of reportable segment	**5,905**	**1,088**	**6,993**
Interest income	142	-	142
Interest expense	(308)	-	(308)
Corporate income tax	**(1,186)**	**(219)**	**(1,405)**
Non-cash items:			
Depreciation and amortization	(2,664)	-	(2,664)
Impairment write-downs on segment assets	208	-	208
Net profit (loss) of reportable segment	**14,582**	**869**	**15,451**
Segment assets	143,127	5,187	148,314
Segment capital expenditures	**(945)**	**-**	**(945)**

The impairment write-downs on segment assets of EUR 208 thousand include allowances for receivables.

IV. Notes to the Profit and loss statement

4.1. Operating revenues

Significant accounting policies

IFRS 15 came into force on 1st January 2018. IFRS 15 supersedes IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations and applies to all contracts with customers, except for those which are within the scope of other standards, in particular IFRS 16.

The new standard provides the so-called Five-Step Model for recognition of revenues from contracts with customers. According to IFRS 15, revenues ae recognized in an amount that reflects the consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to customers.

The Company is engaged in the sale of licenses and broadly defined IT services, and distinguishes the following types of revenue:

- Revenues from the sale of own licenses and services
- Revenues from the sale of third-party licenses and services
- Revenues from the sale of hardware

a) Sale of own licenses and services

The category of "Own licenses and services" includes revenues from contracts with customers under which we supply our own software and/or provide related services.

Comprehensive IT projects

A large proportion of those revenues is generated from the performance of comprehensive IT projects, whereby the Company is committed to providing the customer with a functional IT system. In those situations the customer can only benefit from a functional system, which is the final product, comprised of our own licenses and significant related services (for example, modifications or implementation). Under such contracts, the Company is virtually always required to provide the customer with comprehensive goods or services, including the supply of own licenses and/or own modification services and/or own implementation services. This means that the so-called comprehensive IT contracts most often result in a separate performance obligation that consists of providing the customer with a functional IT system. In the case of a performance obligation that involving the provision of a functional IT system, we closely examine the promise in granting a licence under each contract. Each license is analyzed as distinct from other goods or services promised in the contract. As a general rule, the Company considers that a commitment to sell a license under such performance obligation does not satisfy the criteria of being distinct, because the transfer of the license is only part of a larger performance obligation, and services sold together with the license present such a significant value so that it is impossible to determine whether the license itself is a predominant obligation.

Revenues from a performance obligation to provide a functional IT system are recognized over time, during the period of its development. This is because, in accordance with IFRS 15, revenues may be recognized during transferal of control of the supplied goods/services, as long as the entity's performance does not create an asset with an alternative use to the entity, and the entity has an enforceable right to payment for performance completed to date throughout the duration of the contract. In the Management's opinion, in the case of execution of comprehensive IT projects the provider cannot generate an asset with an alternative use because such systems together with the accompanying implementation services are "tailor-made". Concurrently, the analysis carried out so far showed that essentially all contracts concluded by the Company meet the criterion of ensuring an enforceable right to payment for performance completed throughout the duration of the contract. This means that revenues from comprehensive IT projects, which include the sale of own licenses and own services, shall be recognized according to the percentage of completion method (based on the costs incurred so far) over time of transferring control of the sold goods/services to the customer. Relatively small IT projects are a specific case where revenues may be recognized in the amount the entity is entitled to invoice, in accordance with a practical expedient permitted under IFRS 15.

Sale of own licenses without significant related services

In the event the sale of an own license is distinct from other significant modification of implementation services, and thereby it constitutes a separate performance obligation, the Company considers whether the promise in granting the licence is to provide the customer with either:

- a right to access the entity's intellectual property in the form in which it exists throughout the licensing period; or

- a right to use the entity's intellectual property in the form in which it exists at the time of granting the license.

The vast majority of licenses sold separately by the Company (thus representing a separate performance obligation) are intended to provide the customer with a right to use the intellectual property, which means revenues from the sale of such licenses are recognized at the point in time at which control of the licence is transferred to the customer. This is tantamount to stating that in the case of own licenses sold without significant related services, regardless of the licensing period, the arising revenues are recognized on a one-off basis at the point in time of transferring control of the licence. We have also identified instances of selling licenses the nature of which is to provide a right to access the intellectual property. Those licenses are, as a rule, sold for a definite period. Up until 31 December 2017, in line with our accounting policy for licenses granted for a definite period, the arising revenues were recognized over time (throughout the licensing period). In accordance with IFRS 15, the Company now recognizes such revenues based on the determination whether the license provides the customer with a right to access or a right to use.

Maintenance services and warranties

The category of 'Own licenses and services' also presents revenues from own maintenance services, including revenues from warranties. Our accounting policy regarding the recognition of revenues from maintenance services remained unchanged after the adoption of IFRS 15, because in the Management's opinion such services, in principle, constitute a separate performance obligation where the customer consumes the benefits of goods/services as they are delivered by the provider, as a consequence of which revenues are recognized over time during the service performance period.

In many cases, the Company also provides a warranty for goods and services sold. Based on the conducted analysis, we have ascertained that most warranties granted by the Company meet the definition of service, these are the so-called extended warranties the scope of which is broader than just an assurance to the customer that the product/service complies with agreed-upon specifications. The conclusion regarding the extended nature of a warranty is made whenever the Company contractually undertakes to repair any errors in the delivered software within a strictly specified time limit and/or when such warranty is more extensive than the minimum required by law. In the context of IFRS 15, the fact of granting an extended warranty indicates that the Company actually provides an additional service. In accordance with IFRS 15, this means the Company needs to recognize an extended warranty as a separate performance obligation and allocate a portion of the transaction price to such service. In all cases where an extended warranty is accompanied by a maintenance service, which is even a broader category than an extended warranty itself, revenues are recognized over time because the customer consumes the benefits of such service as it is performed by the provider. If this is the case, the Company continues to allocate a portion of the transaction price to such maintenance service. Likewise, in cases where a warranty service is provided after the project completion and is not accompanied by any maintenance service, then a portion of the transaction price and analogically recognition of a portion of contract revenues will have to be deferred until the warranty service is actually fulfilled. In the case of warranties the scope of which is limited to the statutory minimum, our accounting policy remained unchanged, meaning such future and contingent obligations will be covered by provisions for warranty repairs which, if materialized, will be charged as operating costs.

b) Sale of third-party licenses and services

The category of 'Third-party licenses and services' includes revenues from the sale of third-party licenses as well as from the provision of services which, due to technological or legal reasons, must be carried out by subcontractors (this applies to hardware and software maintenance and outsourcing services provided by their manufacturers). Revenues from the sale of third-party licenses are as a rule accounted for as sales of goods, which means that such revenues are recognized at the point in time at which control of the licence is transferred to the customer. Concurrently, revenues from third-party services, including primarily third-party maintenance services, are recognized over time when such services are provided to the customer. Whenever the Company is involved in the sale of third-party licenses or services, we consider whether the Company acts as a principal or an agent; however, in most cases the conclusion is that the Company is the main party required to satisfy a performance obligation and therefore the resulting revenues are recognized in the gross amount of consideration.

c) Sale of hardware

The category of the 'Sale of hardware' includes revenues from contracts with customers for the supply of infrastructure. In this category, revenues are recognized basically at the point in time at which control of the equipment is transferred. This does not apply only to situations where hardware is not delivered separately from

services provided alongside, in which case the sale of hardware is part of a performance obligation involving the supply of a comprehensive infrastructure system. However, such comprehensive projects are a rare practice in the Company as the sale of hardware is predominantly performed on a distribution basis.

d) Variable consideration

In accordance with IFRS 15, if a contract consideration encompasses any amount that is variable, the Company estimates the consideration to which it will be entitled in exchange for transferring promised goods or services to the customer, and includes a portion or the whole amount of variable consideration in the transaction price, but only to the extent that it is highly probable a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Company is party to a number of contracts which provide for penalties for non-performance or improper performance of contractual obligations. Any contractual penalties may therefore affect the consideration, which has been stated as a fixed amount in the contract, and make it subject to change due to such expected penalties. Therefore, stating from 1 January 2018, as part of estimating the amount of consideration receivable under a contract, the Company has estimated the expected amount of consideration while taking into account the probability of paying such contractual penalties as well as other factors that might potentially affect the consideration. This causes a reduction in revenues, and not an increase in the amount of provisions and relevant costs as was previously the case. Excepting contractual penalties, there are no other significant factors that may affect the amount of consideration (such as rebates or discounts), but in the event they were identified, they would also affect the amount of revenues recognized by the Company.

e) Significant financing component

In determining the transaction price, the Company adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Company with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract is deemed to contain a significant financing component.

The ompany does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at the contract inception, that the period between when a promised good or service is transferred to the customer and when the customer pays for that good or service will be one year or less.

A contract with a customer does not contain a significant financing component if, among other factors, the difference between the promised consideration and the cash selling price of the good or service arises for reasons other than the provision of finance to the customer, and the difference between those amounts is proportional to the reason for the difference. This usually occurs when the contractual payment terms provide protection from the other party failing to adequately complete some or all of its obligations under the contract.

f) Costs of contracts with customers

The costs of obtaining a contract are those additional (incremental) costs incurred by the Company in order to obtain a contract with a customer that it would not have incurred if the contract had not been obtained. The Company recognizes such costs as assets if it expects to recover them. Such capitalized costs of obtaining a contract are amortized over the period during which the Company satisfies the performance obligations arising from the contract.

As a practical expedient, the Company recognizes the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the Company would have otherwise recognized is one year or less.

Costs to fulfill a contract are thos incurred in fulfilling a contract with a customer. The Company recognizes such costs as an asset if they are not within the scope of another standard (for example, IAS 2 “Inventories”, IAS 16 “Property, Plant and Equipment” or IAS 38 “Intangible Assets”) and if those costs meet all of the following criteria: (i) they relate directly to a contract or to an anticipated contract with a customer, (ii) they generate or enhance resources of the Company that will be used in satisfying (or in continuing to satisfy) performance obligations in the future, and (iii) they are expected to be recovered.

g) Other practical expedients applied by the Company

When appropriate, the Company also applies a practical expedient permitted under IFRS 15 whereby if the Company has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Company’s performance completed to date (for example, a service contract in which an

entity bills a fixed amount for each hour of service provided), the Company may recognize revenue in the amount it is entitled to invoice.

In line with the chosen approach for the implementation of IFRS 15, the Company also decided to use a practical expedient not to restate contracts in respect of all modifications that were approved before the beginning of the earliest period presented.

In 2020 and the corresponding comparative period, operating revenues were as follows:

Sales revenues by type of business	12 months ended 31 Dec 2020	12 months ended 31 Dec 2019
Own software and services	45,401	50,710
Third-party software and services	6,979	2,416
Computer hardware and infrastructure	4,322	4,307
Other sales	307	327
	57,009	**57,760**

The category Own software and services includes revenues from contracts with customers under which the Company delivers its own software and provides related services. These services can be performed by employees (internal resources) of the Company as well as by subcontractors (external resources). The involvement of subcontractors in this revenue category has no effect on the extent of liability or the relationship between the Company and the customer to whom the service was provided. The decision as to whether services for a particular type of project are to be performed by subcontractors or by its own staff is entirely within the competence of the Company. In addition, revenues from the provision of own services for third-party software and infrastructure are included in this category.
The category Third Party Software and Services includes revenue from the sale of third party licenses as well as from the provision of services that, due to technological or other legal reasons, must be performed by subcontractors (the definition refers to hardware and software maintenance services as well as outsourcing software services provided by manufacturers).

Sales revenues by sectors	12 months ended 31 Dec 2020	12 months ended 31 Dec 2019
Banking and finance	16,817	17,169
Enterprises	18,577	20,931
Public institutions	21,615	19,660
	57,009	**57,760**

Sales revenues by territorial structure	12 months ended 31 Dec 2020	12 months ended 31 Dec 2019
Slovakia	47,819	48,777
Czech Republic	8,011	8,081
Other European countries	982	224
Other non-European countries	197	678
	57,009	**57,760**

4.2. Operating costs

The Company recognizes expenses in terms of both the purpose and the type breakdown. The cost of products sold consists of costs directly linked to the sale of goods or the creation of services sold. Cost of sales includes the cost of distribution activities. Administrative expenses include the Company's management and administration costs.

	12 months ended 31 Dec 2020	12 months ended 31 Dec 2019
Materials and energy used (-)	(211)	(228)
Cost of goods, materials and third-party services sold	(10,076)	(6,033)
Third party work (-)	(15,940)	(21,737)
Employee benefits (-)	(19,357)	(18,896)
Depreciation and amortization, which (-)	(2,764)	(2,664)
Depreciation base on IFRS 16	(879)	*(879)*
Taxes and charges (-)	(14)	(19)
Business trips (-)	(88)	(230)
Creation and reversal of provisions for warranty repairs and provisions for trade receivables (+)/(-)	392	(142)
Other (-)	(808)	(1,135)
Total	**(48,866)**	**(51,084)**
Cost of sales:	**(43,038)**	**(44,796)**
production cost (-)	*(20,324)*	*(20,879)*
cost of merchandise, materials and third party work sold (COGS) (-)	*(22,714)*	*(23,917)*
Selling expenses (-)	**(620)**	**(745)**
General administrative expenses (-)	**(5,208)**	**(5,543)**

i. Employee benefits costs

	For 2020	For 2019
Salaries	(14,257)	(13,810)
Social security costs	(2,529)	(2,489)
Retirement benefit costs	(2,119)	(2,113)
Other costs for employee benefits	(452)	(484)
Employee benefits total	**(19,357)**	**(18,896)**

The Company provides short-term employee benefits (mainly comprising payroll expenses, costs of medical, health and social security and costs of creating a social fund). Over the course of the year, the Company makes contributions to social and health insurance from gross wages paid, and contributes to the unemployment fund as per the statutory rates. The costs of the contributions are posted in the profit and loss account in the same period as the relevant payroll expenses.
In respect of employees who have opted to participate in the program of supplementary pension insurance, the Company contributes up to 2.5% of the total monthly tariff wage for these purposes.
No Company pension scheme is currently in operation.
The table below shows remuneration of the entity authorized to audit financial statements, paid or payable for the year ended 31 December 2020 and 31 December 2019, by type of services:

	12 months ended 31 Dec 2020	12 months ended 31 Dec 2019
Statutory audit of annual financial statements	65	53
Total	**65**	**53**

4.3. Other operating income and expenses

In other operating activities, the Company recognizes revenues and expenses that are not related to its operating activities in the IT area.

Other operating income	12 months ended 31 Dec 2020	12 months ended 31 Dec 2019
Gain on disposal of tangible fixed assets	46	31
Income from rental services	4	5
Profit on lease contract termination	7	-
Other	9	9
Total	**66**	**45**

Other operating expenses	12 months ended 31 Dec 2020	12 months ended 31 Dec 2019
Residual value of tangible fixed assets sold	(5)	(1)
Charitable contributions (-)	(218)	(50)
Other (-)	(19)	(27)
Total	**(242)**	**(78)**

4.4. Financial income and expenses

Interest income

Interest income is recognized on a time-proportion basis (taking into account the effective yield - the interest rate which accurately discounts future cash flows during the estimated period of use of a financial instrument to the net book value of such a financial asset).

Interest income is recognised in profit and loss statement as accrued during the reporting period. Interest income includes interests from investments in debt instruments and deposits measured at amortised cost, interests from finance lease and trade receivables.

Interest income comprises interest on loans granted, investments in securities held to maturity, bank deposits and other items, and the discounts of costs (liabilities) according to the method of the effective interest rate.

Financial income	12 months ended 31 Dec 2020	12 months ended 31 Dec 2019
Interest income on loans granted, debt securities and bank deposits	212	142
Gain on revaluation of financial derivatives	-	4
Gain on exercise of currency derivatives - forward contracts	62	-
Gain on foreign exchange differences	-	36
Dividends received	10,028	9,965
Other	-	62
Total financial income	**10,302**	**10,209**

Financial expenses	12 months ended 31 Dec 2020	12 months ended 31 Dec 2019
Interest expense on financial leases (-)	(261)	(308)
Loss on change in fair value of currency derivatives - forward contracts	(2)	-
Loss from realization of derivative	(32)	(38)
Loss on foreign exchange differences	(181)	-
Write-off of investment associate	(362)	-
Impairment write-off of financial asset	(200)	-
Total financial expenses	**(1 038)**	**(346)**

Positive and negative exchange differences are presented in net amounts (reflecting the excess of positive differences versus negative differences or otherwise) at the level of individual subsidiaries.

4.5. Corporate income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the country where the Company operates and generates taxable income.

For the purposes of financial reporting, deferred income tax is calculated applying the balance sheet liability method to all temporary differences that exist, at the balance sheet date, between the tax base of an asset or liability and its carrying amount in the statement of financial position. Deferred income tax provisions are established in relation to all positive temporary differences. This applies except when a deferred tax provision arises from an initial recognition of goodwill or initial recognition of an asset or liability on a transaction other than a combination of companies which, at the time of its conclusion, has no influence on pre-tax profit, taxable income or tax loss, in relation to positive temporary differences arising from investments in subsidiary or associated companies or from participation in joint ventures. An exception to this situation is when the investor is able to control the timing of reversal of such temporary differences and when it is probable that such temporary differences will not be reversed in the foreseeable future.

Deferred income tax assets are recognized in relation to all negative temporary differences, as well as unused deferred tax assets or unused tax losses carried forward to subsequent years, in such an amount that it is probable that future taxable income will be sufficient to allow the above temporary differences, assets or losses to be utilized. This does not apply to situations when deferred tax assets related to negative temporary differences arising from the initial recognition of an asset or liability on a transaction other than a combination of companies which, at the time of its conclusion, has no influence on pre-tax profit, taxable income or tax loss. Furthermore, in the event of negative temporary differences arising from investments in a subsidiary or associated companies or from participation in joint ventures, deferred tax assets are recognized in the statement of financial position in such amounts only that it is probable that the above temporary differences will be reversed in the foreseeable future and that sufficient taxable income will be available to offset such negative temporary differences.

The book value of an individual deferred tax asset is verified on every balance sheet date and is duly decreased or increased to reflect any changes in the estimates of achieving taxable profit sufficient to utilize the deferred tax asset partially or entirely.

Deferred tax assets and deferred tax provisions are valued using the future tax rates anticipated to be applicable at the time when a deferred tax asset is realized or a deferred tax provision is reversed, the basis for which are the tax rates (and tax regulations) legally or factually in force at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset in accordance with IFRS.

Income tax related to items directly recognized in equity is recognized under equity and not in the profit and loss account. Revenues, expenses and assets are recognized in the amounts excluding value added tax (VAT) unless:

- value added tax paid at the purchase of merchandise or services is not recoverable from the tax authorities; in such an event the value added tax paid is recognized as a part of the purchase price of an asset or as an expense; and
- receivables and liabilities are presented including value added tax.

The net amount of value added tax which is recoverable from or payable to the tax authorities is included in the statement of financial position as a part of receivables or liabilities to the state budget.

The main charges on the pre-tax profit are due to corporate income tax (CIT) (current and deferred portions):

	12 months ended 31 Dec 2020	12 months ended 31 Dec 2019
Corporate income tax	(1,895)	(1,517)
Deferred tax	334	185
Related to temporary differences	334	*185*
Income tax expense as disclosed in the profit and loss account:	**(1,561)**	**(1,332)**

Regulations applicable to VAT, CIT, personal income tax or social security contributions are subject to frequent amendments, thereby often depriving taxpayers of the possibility of referring to well-established regulations or legal precedents. The current regulations in force include ambiguities which may give rise to different opinions and legal interpretations of the taxation regulations, either between companies and public administration or between the public administration bodies themselves. Taxation and other settlements (for instance customs duty or currency payments) may be controlled by administrative bodies that are entitled to impose considerable fines, and the amounts of the liabilities determined must be paid with high interest. In effect, the amounts disclosed in the financial statements may later be changed, after the taxes payable are finally determined by the taxation authorities.

Reconciliation of CIT payable on pre-tax profit is according to the statutory tax rates with the CIT computed at the Company's effective tax rate.

	12 months ended 31 Dec 2020	12 months ended 31 Dec 2019
Pre-tax profit	**17,231**	**16,506**
Statutory corporate income tax rate	21%	21%
Corporate income tax computed at the statutory tax rate	**3,619**	**3,466**
Non-taxable financial income - dividends	(2,106)	(2,093)
Other non-taxable income and non-deductible expenses	146	53
Deduction base on R&D taxable expenses	(98)	(94)
Adjustments of the prior years' income tax	-	-
Corporate income tax computed at the effective tax rate of 9,06% in 2020 and 8,89% in 2019	**1,561**	**1,332**

The Company estimated future taxable income and concluded it will make feasible the recovery of deferred income tax assets (net of provisions) in the full amount as at 31 December 2020 and 31 December 2019.

The CIT rate was 21% in 2020 and 2019.

	31 Dec 20120	31 Dec 2019
Corporate income tax - assets	1,242	1,898
Corporate income tax - liabilities	(1,895)	(1,517)
Current corporate income tax – assets (+)/Current corporate income tax – liabilities (-), net	**(672)**	**(237)**
Withholding tax - receivable	**19**	**614**

	31 Dec 20120	31 Dec 2019
Tax rate used for calculation deferred income tax	21%	21%
Deferred income tax assets	1,318	1,216
Deferred income tax liability	(92)	(324)
Deferred income tax assets (+)/Deferred income tax provision (-), net	**1,226**	**892**

The following table provides information on deferred tax assets and liabilities:

	Statement on financial position		Statementy of profit and loss	
	31 Dec 2020	31 Dec 2019	12 months to 31 Dec 2020	12 months to 31 Dec 2019
Deferred income tax liability				
Valuation of tangible assets at fair value and difference between tax depreciation and accounting depreciation	(3)	(3)	-	-
Leased property	(89)	(321)	232	185
Other		-		
Deferred income tax liability, gross	**(92)**	**(324)**		
Deferred income tax assets				
Difference between tax and accounting depreciation	26	28	(2)	9
Accrued expenses, provisions and other liabilities	1,154	760	394	213
Writte-offs to financial asset	42	-	42	-
Inventories allowances	-	-	-	(5)
Receivables allowances	2	51	(49)	(6)
Leased liabilities	94	334	(240)	(186)
Other	-	43	(43)	(25)
Deferred income tax assets, gross	**1,318**	**1,216**		
Deferred income tax assets, net	**1,226**	**892**		
Change in deferred income tax in the period reported, of which *deffered income tax change recognized in profit or loss*			**334**	**185**
Deffered income tax, net			334	185

For calculation of deferred income tax as at 31 December 2020, a rate of 21% was used.

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4.6. Earnings per share

Basic earnings per share are computed by dividing the net profit for the period reported, attributable to shareholders of the Company, by the average weighted number of ordinary shares outstanding during that financial period.

Diluted earnings per share are computed by dividing net profit for the financial period, attributable to shareholders of the Company, by the adjusted (due to the diluting impact of potential shares) average weighted number of ordinary shares outstanding during that financial period, adjusted by the factor of conversion of bonds convertible to ordinary shares.

The table below present net profit and number of shares used for calculation of basic and diluted earnings per share:

	12 months ended 31 Dec 2020	12 months ended 31 Dec 2019
Net profit attributable to shareholders of the Parent Company	**15,986**	**15,451**
Average weighted number of ordinary shares outstanding, used for calculation of basic earnings per share	21,360,000	21,360,000
Dilution factors	-	-
Adjusted average weighted number of ordinary shares, used for calculation of diluted earnings per share	**21,360,000**	**21,360,000**

Both in the current and corresponding prior reporting periods, no events took place that would cause dilution of earnings per share.

4.7. Information on dividends paied

Dividends

Dividends are recognized when the shareholders right to receive payment is vested.

By decision of the Ordinary General Meeting of Shareholders of Asseco Central Europe, a. s. amount of 9 184 800 EUR from the profit for 2019 was distributed as a dividend (i.e., EUR 0,43 per share) and the amount of 5 989 046,81 EUR was kept as retained earnings. The Dividend was paid from 21 May 2020 to 31 December 2020. During the year 2020, rest of unpaid dividend from the previous year was paid.

The remaining part of EUR 1 ths. consist of the unpaid dividend to the other shareholders that did not take over as of 31 Decemer 2020. As of the balance sheet date, the balance of outstanding dividends has not changed.

As in previous years, the Company intends to pay out dividends in 2021 from net profit achieved for the accounting period ending 31 December 2020.

V. Notes to the Statement of Financial Position

5.1. Plant, property and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and any impairment write-downs. Any costs incurred after a tangible asset has been commissioned into use, such as costs of repairs, technical inspections or operating fees, are expensed in the reporting period in which they were incurred. At the time of purchase, tangible assets are divided into components of significant value for which separate periods of useful life may be adopted. General overhaul expenses constitute a component of assets as well.

Such assets are depreciated using the straight-line method over their expected useful lives which are as follows:

Type	Period of useful life
Buildings and structures	12-40
Machinery and technical equipment	4-12
Transport vehicles	3-6
Computer hardware	4-12

The appropriateness of the periods of useful life and residual values applied is subject to annual review which results in relevant adjustments to the depreciation charges to be made in subsequent years.

A tangible asset may be derecognized from the statement of financial position after it is disposed of or when no economic benefits are expected from its further use. Gain/loss on disposal of a tangible fixed asset is assessed by comparing the proceeds from such a disposal against the present book value of such an asset, and it is accounted for as an operating income/expense. Any gains or losses resulting from derecognition of a given item of property, plant and equipment from the statement of financial position (calculated as the difference between the net cash obtained from sales and the book value of this item) are recognized in the profit and loss account in the period in which the derecognition from the accounting books was made.

Investments in progress relating to tangible assets under construction are recognized at purchase price or production cost, decreased by any eventual impairment write-downs. Tangible assets under construction are not depreciated until their construction is completed and they are commissioned into use.

For 12 months ended 31 December 2020	Land and buildings	Computers and other office equipment	Transport vehicles	Other tangible assets	Tangible assets under construction	Total
As at 1 January 2020, less depreciation and impairment allowance	**364**	**515**	**498**	**9**	**41**	**1,427**
Additions, of which:	364	279	93	-	(25)	**711**
Purchases	-	-	-	-	711	**711**
Other changes	364	279	93	-	*(736)*	**-**
Reductions, of which:	(11)	(269)	(243)	(1)	-	**(524)**
Depreciation charge for the reporting period (-)	(11)	(264)	(243)	(1)	-	**(519)**
Sale and disposal (-)	-	(82)	(39)	-	-	**(121)**
Depreciation of disposals and liquidations	-	77	39	-	-	**116**
As at 31 December 2020, less depreciation	**717**	**525**	**348**	**8**	**16**	**1,614**
As at 1 January 2020						
Gross value	375	2,451	1,569	20	41	**4,456**
Depreciation and impairment write-downs (-)	(11)	(1,936)	(1,071)	(11)	-	**(3,029)**
Net book value as at 1 January 2020	**364**	**515**	**498**	**9**	**41**	**1,427**
As at 31 December 2020						
Gross value	739	2,648	1,623	20	16	**5,046**
Depreciation and impairment allowance (-)	(22)	(2,123)	(1,275)	(12)	-	**(3,432)**
Net book value as at 31 December 2020	**717**	**525**	**348**	**8**	**16**	**1,614**

As at 31 December 2020, no tangible fixed assets served as security for bank credit.

For 12 months ended 31 December 2019	Land and buildings	Computers and other office equipment	Transport vehicles	Other tangible assets	Tangible assets under construction	Total
As at 1 January 2019, less depreciation and impairment allowance	**315**	**529**	**572**	**10**	**13**	**1,439**
Additions, of which:	58	250	182	-	28	**518**
Purchases	-	-	-	-	*518*	***518***
Other changes	*58*	*250*	*182*	-	*(490)*	**-**
Reductions, of which:	(9)	(264)	(256)	(1)	-	**(530)**
Depreciation charge for the reporting period (-)	*(9)*	*(264)*	*(256)*	*(1)*	-	***(530)***
Sale and disposal (-)	-	*(75)*	*(150)*	-	-	***(225)***
Depreciation of disposals and liquidations	-	*75*	*150*	-	-	***225***
As at 31 December 2019, less depreciation	**364**	**515**	**498**	**9**	**41**	**1,427**
As at 1 January 2019						
Gross value	317	2,276	1,537	20	13	**4,163**
Depreciation and impairment write-downs (-)	(2)	(1,747)	(965)	(10)	-	**(2,724)**
Net book value as at 1 January 2019	**315**	**529**	**572**	**10**	**13**	**1,439**
As at 31 December 2019						
Gross value	375	2,451	1,569	20	41	**4,456**
Depreciation and impairment allowance (-)	(11)	(1,936)	(1,071)	(11)	-	**(3,029)**
Net book value as at 31 December 2019	**364**	**515**	**498**	**9**	**41**	**1,427**

As at 31 December 2019, no tangible fixed assets served as security for bank credit.

5.2. Intangible assets

Purchased separately or acquired as a result of merger of companies.

Intangible assets purchased in a separate transaction are measured at initial recognition as cost. Intangible assets acquired as a result of a merger are measured at their fair value as at the date of merger.

The period of useful life of an intangible asset is assessed and classified as definite or indefinite. Intangible assets with a definite period of useful life are amortized using the straight-line method over their expected useful life, and amortization charges are expensed appropriately in the profit and loss account. The periods of useful life, being the basis for determination of amortization rates, are subject to annual verification and, if required, they are adjusted starting from the following financial year. Intangible assets are depreciated using the straight-line method. Below are the periods of useful life adopted for intangible assets:

Type	Period of useful life
Cost of development work	2-5
Computer software	2-8
Patents and licenses	2-8
Customer relations	2-7
Other	2-5

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The remaining intangible assets are tested for impairment if there are indications of a possible impairment in value. If the book value exceeds the estimated recoverable value (whichever is the higher of the net sales price or value in use), the value of these assets is reduced to the recoverable value.

Except for development work, intangible assets produced by the Company on its own are not capitalized, but the expenditures on their production are expensed in the profit and loss account for the period in which they were incurred.

Research and development costs

Research costs are expensed as incurred. Development expenditures, on an individual project, are recognized as an intangible asset when the Company can demonstrate:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- Its intention to complete and its ability to use or sell the asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to reliably measure the expenditure during development.

Following initial recognition of the development expenditure as an asset, the cost model is applied, requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Any gain or loss resulting from derecognition of an intangible asset from the statement of financial position (calculated as the difference between the net cash obtained from sales and the book value of an item) is disclosed in the profit and loss account for the period in which such derecognition disposal occured.

For 12 months ended 31 December 2020	Cost of development work	Costs of unfinished research and development projects	Computer software	Goodwill on merger	Other	Total
As at 1 January 2020, less amortization and impairment allowance	**-**	**530**	**1,715**	**1,083**	**-**	**3,328**
Additions, of which:	338	171	1,075	-	-	**1,584**
Purchases	-	-	*1,075*	-	-	***1,075***
Capitalization of development project costs	-	*171*	-	-	-	***171***
Other changes	*338*	-	-			***338***
Reductions, of which:	(193)	(484)	(1,193)	-	-	**(1,870)**
Amortization charge for the reporting period (-)	*(193)*	-	*(1,173)*	-	-	***(1,366)***
Disposal and liquidation (-)	-	*(146)*	*(20)*	-	-	***(166)***
Other changes	-	*(338)*	-	-	-	***(338)***
Impairment, write-downs	**-**	**-**	**-**	**-**	**-**	**-**
As at 31 December 2020, less amortization and provisions	**145**	**217**	**1,597**	**1,083**	**-**	**3,042**
As at 1 January 2020						
Gross value	530	530	14,090	1,083	2,407	**18,640**
Amortization and impairment allowance (-)	(530)	-	(12,375)	-	(2,407)	**(15,312)**
Net book value as at 1 January 2019	**0**	**530**	**1,715**	**1,083**	**-**	**3,328**
As at 31 December 2020						
Gross value	868	217	15,145	1,083	2,407	**19,720**
Amortization and impairment allowance (-)	(723)	-	(13,548)	-	(2,407)	**(16,678)**
Net book value as at 31 December 2020	**145**	**217**	**1,597**	**1,083**	**-**	**3,042**

As at 31 December 2020, no intangible assets served as security for bank credits.

For 12 months ended 31 December 2019	Cost of development work	Computer software	Goodwill on merger	Other	Total
As at 1 January 2019, less amortization and impairment allowance	**338**	**2,516**	**1,083**	**-**	**3,937**
Additions, of which:	192	454	-	-	**646**
Purchases	-	*454*	-	-	***454***
Capitalization of development project costs	*192*	-	-	-	***192***
Reductions, of which:	.	(1,255)	-	-	**(1,255)**
Amortization charge for the reporting period (-)	-	*(1,255)*	-	-	***(1,255)***
Disposal and liquidation (-)	-	-	-	-	**-**
Write-off decrease	-	-	-	-	**-**
Impairment, write-downs	**-**	**-**	**-**	**-**	**-**
As at 31 December 2019, less amortization and provisions	**530**	**1,715**	**1,083**	**-**	**3,328**
As at 1 January 2019					
Gross value	868	13,636	1,083	2,407	**17,994**
Amortization and impairment allowance (-)	(530)	(11,120)	-	(2,407)	**(14,057)**
Net book value as at 1 January 2019	**338**	**2,516**	**1,083**	**-**	**3,937**
As at 31 December 2019					
Gross value	1,060	14,090	1,083	2,407	**18,640**
Amortization and impairment allowance (-)	(530)	(12,375)	-	(2,407)	**(15,312)**
Net book value as at 31 December 2019	**530**	**1,715**	**1,083**	**-**	**3,328**

As at 31 December 2019, no intangible assets served as security for bank credits.

5.3. Right-to-use assets

In accordance with IFRS 16, a contract is a lease or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right to control the use is transferred under a contract if the lessee has both of the following:

- the right to obtain substantially all of the economic benefits from use of the identified asset; and
- the right to direct the use of the identified asset.

Therefore all the rights arising from agreements for rental, hire or use (including usufruct of land) that meet the above-mentioned definition have been measured and recognized by the Company in its consolidated statement of financial position, in a separate line called right-of-use assets (representing underlying assets).

The above-described principles for the identification of leases have been applied by the Company since the date of adopting the standard; however, the Company has used a practical expedient permitted by IFRS 16 to reassess whether a contract is a lease or contains a lease as at the date of initial application in respect of contracts that were entered into prior to the date of initial application of the new standard.

Initial recognition and measurement of right-of-use assets

In the case of contracts identified as leases, the Company has recognized right-of-use assets as at the lease commencement date (i.e. the date when the asset being leased is available for use by the Company).

Right-of-use assets are initially recognized at cost.

The cost of the right-of-use asset shall comprise: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date, less any lease incentives received; any initial direct costs incurred by the lessee; and an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset.

Subsequent measurement of right-of-use assets

The Company shall measure the right-of-use asset applying a cost model, this is at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability (i.e. modifications that are not required to be accounted for as a separate lease).

Right-of-use assets are depreciated by the Company basically using the straight-line method. If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company shall depreciate the right-of-use asset from the lease commencement date to the end of the useful life of the underlying asset. Otherwise, the Company shall depreciate the right-of-use asset from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies the provisions of IAS 36 'Impairment of Assets' to determine whether the right-of-use asset is impaired

Leasing agreements, whereby the lessor retains substantially all the risks and rewards incidental to ownership of the leased asset, are treated as operating leasing. Lease payments under operating leasing are recognized as expenses in the profit and loss account on a straight-line basis over the leasing period.

For 12 months ended 31 December 2020	Land and buildings	Computers and other office equipment	Transport vehicles	Other tangible assets	Total
As at 1 January 2020, less depreciation and impairment allowance	**1,533**	**-**	**-**	**-**	**1,533**
Additions, of which:	-	-	-	-	-
Purchases	-	-	-	-	-
Other changes	-	-	-	-	-
Reductions, of which:	(1,108)	-	-	-	(1,108)
Depreciation charge for the reporting period (-)	*(879)*	-	-	-	*(879)*
Disposal and liquidation (-)	(291)	-	-	-	(291)
Depreciation of disposals and liquidations	62	-	-	-	62
As at 31 December 2020 less depreciation	**425**	**-**	**-**	**-**	**425**
As at 1 January 2020					
Gross value	2,412	-	-	-	2,412
Depreciation and impairment write-downs (-)	(879)	-	-	-	(879)
Net book value as at 1 January 2020	**1,533**	**-**	**-**	**-**	**1,533**
As at 31 December 2020					
Gross value	2,121	-	-	-	2,121
Depreciation and impairment allowance (-)	(1,696)	-	-	-	(1,696)
Net book value as at 31 December 2020	**425**	**-**	**-**	**-**	**425**

For 12 months ended 31 December 2019	Land and buildings	Computers and other office equipment	Transport vehicles	Other tangible assets	Total
As at 1 January 2019, less depreciation and impairment allowance	**2,412**				**2,412**
Additions, of which:	-				-
Purchases	-				-
Other changes	-				-
Reductions, of which:	(879)				(879)
Depreciation charge for the reporting period (-)	*(879)*				*(879)*
Disposal and liquidation (-)	-				-
Depreciation of disposals and liquidations	-				-
As at 31 December 2019 less depreciation	**1,533**				**1,533**
As at 1 January 2019					
Gross value	2,412				2,412
Depreciation and impairment write-downs (-)	-				-
Net book value as at 1 January 2019	**2,412**				**2,412**
As at 31 December 2019					
Gross value	2,412				2,412
Depreciation and impairment allowance (-)	(879)				(879)
Net book value as at 31 December 2019	**1,533**				**1,533**

5.4. Goodwill

	31 Dec 2020	31 Dec 2019
ISZP	533	533
MPI	550	550
Total	**1,083**	**1,083**

The Company performs an impairment test of goodwill annually (as at 31 December) and whenever indicators of impairment exist. For the purpose of goodwill impairment tests, goodwill was allocated to a cash generating unit or a group of cash generating units (CGU) which benefit from the acquisitions.

Goodwill related to the acquisitions of ISZP and MPI Consulting was tested at the CGU level represented by the Healthcare Business Unit of Asseco Central Europe and the CGU represented by the Banking Division, respectively.

Each impairment test requires estimates of the recoverable value of a cash-generating unit or a group of cash-generating units to which goodwill is allocated. Impairment testing involves determination of their value in use by applying the model of discounted free cash flow to firm (FCFF). No impairment was recognized with respect to goodwill as at 31 December 2020 and 31 December 2019.

The Company carried out a sensitivity analysis of impairment tests conducted as at 31 December 2020, in order to determine how much the selected parameters applied in the model could be changed so that the estimated value in use of cash-generating units equaled their carrying amounts. Such sensitivity analysis examined the impact of changes in factors with influence on the recoverable value of a cash-generating unit, assuming other factors remain unchanged, as follows:

- nominal discount rate applied for the residual period, i.e. cash flows generated after 2025;
- compound annual growth rate of free cash flow changes over the forecast period, i.e. in the years 2020-2025;

as factors with influence on the recoverable value of a cash-generating unit, assuming other factors remain unchanged.

Reasonable changes in the assumptions will not lead to impairment.

The results of the sensitivity analysis are presented in the table below:

		Discount rate		Compound annual growth rate of cash flows	
	Carrying amount of CGU EUR thousand	applied in the model for marginal period %	marginal %	applied in the model for forecast period %	marginal %
MPI	42,458	6.88%	∞	5.23%	-86.93%
ISZP	5,668	*6.88%*	∞	-3.52%	-115.63%

∞ - means that the terminal discount rate for the marginal period is greater than 100%.

5.5. Investment in subsidiaries

Securities and shares in subsidiaries which are not classified as held-for-sale are recognized at the carrying value representing acquisition cost less potential accumulated losses of impairment.

Securities and shares in subsidiaries classified as held-for-sale are recognized at whichever is the lower of carrying value or fair value less disposal costs.

	% of ownership	31 Dec 2020	31 Dec 2019
Asseco Central Europe, a. s., Czech Republic	100%	*26,643*	*26,643*
Asseco Central Europe Magyarország Zrt.	100%	*16,808*	*16,808*
exe, a. s.	100%	*2,413*	*2,413*
Asseco Enterprise Solutions, a.s.	49.99%	*31,370*	*31,370*
IPI s.r.o. (CEIT)	51%	*10,347*	*10,347*
DWC, a.s.	66%	*5,138*	*5,138*
Invention s.r.o.	100%	*9,791*	*9,791*
Total		**102,510**	**102,510**

As at 31 December 2020, the carrying amount of financial investments was EUR 102 510 thousand.

5.6. Sensitivity analyses

The Company regularly undergoes assessment of the presence of impairment indicators in relation to its financial investments in subsidiaries. As at 31 December 2020 the Company performed impairment testing with no impairment identified. The sensitivity analysis revealed that no impairment would be charged for any financial investment as at 31 December 2020.

The Company carried out a sensitivity analysis in relation to investments impairment tests conducted as at 31 December 2020, in order to determine how much the selected parameters applied in the model could be changed. Such sensitivity analysis examined the impact of changes in the applied:

- nominal discount rate applied for the residual period, i.e. cash flows generated after 2025;
- compound annual growth rate of free cash flow changes over the forecast period, i.e. during 2021 to 2025;

No impairment was recognized with respect to any of investments in subsidiaries as at 31 December 2020 and 31 December 2019.

The results of the sensitivity analysis are presented in the table below:

		Discount rate		Compound annual growth rate of cash flows	
	Carrying amount of CGU	applied in the model for marginal period %	marginal %	applied in the model for forecast period %	marginal %
Asseco Central Europe (Czech Republic)	26,657	8.83%	30.40%	8.06%	-11.60%
Asseco Solutions (Slovakia, Czech Republic, Germany)	31,387	7.29%	∞	-2.27%	-58.98%
Asseco Central Europe Magyarország (Hungary)	16,808	11.63%	12.60%	-9.80%	-18.15%
exe	2,413	8.98%	∞	5.42%	-37.00%
CEIT	20,117	7.29%	8.70%	41.14%	41.80%
DWC	5,138	8.98%	25.20%	4.50%	-12.90%

Reasonable change in the assumptions will not lead to impairment of investment.

5.7. Investment in associated and joint venture companies

Securities and shares in associated companies and joint ventures which are not classified as held-for-sale are recognized at the carrying value representing acquisition cost less potential accumulated losses of impairment. The Company used cost method for accounting of its shares in associated companies as at 31 December 2020 and 31 December 2019.

Securities and shares in subsidiaries, associated companies and joint ventures classified as held-for-sale are recognized at whichever is the lower of carrying value or fair value less disposal costs.

	31 Dec 2020	31 Dec 2019
eDocu a.s.	98	460
LittleLane, a.s.	258	258
Galvaniho 5, s.r.o.	2,020	1,382
EdgeCom, a.s.	915	915
PROSOFT Košice, a.s.	644	644
Total	**4,297**	**3,659**

Galvaniho 5, s.r.o.

In October 2019 Galvániho 5, s.r.o. decided to increase its capital fund from contributions of partners. The Company has assumed an obligation to repay a capital contribution to Galvániho 5, s.r.o The capital contributions were paid in instalments, based on a Notice from Galvániho 5, s.r.o. During the year 2020 EUR 638 thousand was paid and capital contribution was fully paid.

LittleLane a.s.

During the year 2020 the Company purchased a part of share of the company Littlelane a.s which represents an increase of the total share in this company by 17%.

5.8. Other financial assets

Financial instruments are divided into the following categories:

- Financial assets held to maturity;
- Financial instruments valued at fair value through profit or loss;

- Loans granted and receivables;
- Financial assets available for sale;
- Financial liabilities valued at fair value,
- Other financial liabilities.

All financial assets are initially recognized at the purchase price equal to fair value of the effective payment, including costs related to the purchase of a financial asset, except for financial instruments valued at fair value through profit or loss.

Financial assets held to maturity are investments with identified or identifiable payments and with a fixed maturity date which the Company intends, and is able, to hold to maturity. Financial assets held to maturity are valued at amortized cost using the effective interest rate. Financial assets held to maturity are classified as non-current assets if their maturity exceeds 12 months from the balance sheet date.

Financial instruments acquired in order to generate profits from short-term price fluctuations are classified as financial instruments valued at fair value through profit or loss. Financial instruments valued at fair value through profit or loss are measured at fair value taking into account their market value as at the balance sheet date. Changes in these financial instruments are recognized as financial income or expenses. Financial assets valued at fair value through profit or loss are classified as current assets, provided the Board of Directors intends to dispose of them within 12 months of the balance sheet date.

Loans granted and receivables are carried at amortized cost. They are recognized as current assets unless their maturity periods are longer than 12 months from the balance sheet date. Loans granted and receivables with maturity periods longer than 12 months from the balance sheet date are recognized as non-current assets.

Any other financial assets constitute financial assets available for sale. These are carried at fair value, without deducting the transaction-related costs, taking into consideration their market value as at the balance sheet date. If the financial instruments are not quoted on an active market and it is impossible to determine their fair value reliably with alternative methods, financial assets available for sale are valued at the purchase price adjusted by impairment charges. Provided that financial instruments have a market price determined in a regulated active market, or it is possible to determine their fair value in another reliable way, the positive and negative differences between the fair value and the purchase price of such assets available for sale (after deducting any deferred tax liabilities) is recognized in the asset revaluation reserve. A decrease in the value of assets available for sale, resulting from their impairment, is recognized as a financial expense in the profit and loss account.

Purchases or disposals of financial assets are recognized in the accounting books at the transaction date. At initial recognition they are valued at purchase price, which is fair value plus the transaction-related costs.

Financial liabilities other than financial instruments valued at fair value through profit or loss are measured at amortized cost using the effective interest rate.

A financial instrument is derecognized from the statement of financial position if the Company no longer controls the contractual rights arising from such an instrument. This usually takes place when the instrument is sold or when all the cash flows to be generated by this instrument are transferred to an independent third party.

At each balance sheet date, the Company determines if there are any objective indications of impairment of a financial asset or group of financial assets.

Financial assets carried at amortized cost

If there is objective evidence that an impairment loss on loans or receivables valued at amortized cost has been incurred, the amount of the impairment write-down is measured as the difference between the asset's book value and the present value of estimated future cash flows (excluding impairment write-down on loans that have not yet been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of such assets is reduced either directly or by establishing an impairment write-down. The amount of the loss is recognized in the profit and loss account.

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

impairment and for which an impairment loss is or continues to be recognized are not included in the collective assessment of a group of assets for impairment.

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 recognized, the previously recognized impairment loss can be reversed. This reversal of the impairment write-down is recognized in profit or loss to the extent that the carrying amount of the financial asset does not exceed its amortized cost at the date the impairment is reversed.

Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative instrument that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of impairment loss is measured as the difference between the carrying amount of the financial asset involved and the present value of estimated future cash flows discounted at the current market rate of return for similar financial assets.

Financial assets available for sale

When there is objective evidence that a financial asset available for sale is impaired, then the difference between the purchase cost of the asset (net of any principal repayments and amortization) and its current value, decreased by any impairment charges on that financial asset, if it was previously recognized in profit or loss, is derecognized from equity and recognized in the profit and loss account. Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale are not reversed through profit or loss. 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 recognized in profit or loss, then the amount of such an impairment loss is reversed in the profit and loss account.

	31 December 2020		31 December 2019	
	Non-current	Current	Non-current	Current
Financial assets measured at fair value through profit or loss, of which:				
Currency forward contracts	-	-	-	2
Stocks/shares in non-listed companies	-	804	-	-
Other equity instruments	-	-	-	-
Total	**-**	**804**	**-**	**2**
Financial assets measured at amortized cost, of which:				
Bills of exchange	-	218	-	2,779
Loans granted, of which:				
granted to related parties	2,942	1,035	2,886	1,056
granted to employees	-	-	-	-
granted to other entities	-	-	-	333
Deposits between 3 and 12 months	-	-	-	-
Total	**2,942**	**1,253**	**2,866**	**4,168**
Total financial assets	**2,942**	**2,057**	**2,866**	**4,170**

i. Shares in non-listed companies

On February 2020 the Company purchased share of the company Riocath FNDB, a.s of EUR 804 thousand.

ii. Loans granted non-current

Loans granted of EUR 2,942 thousand, presented as at 31 December 2020, are represented by a loan due from Galvániho 5, s.r.o. (principal EUR 2,761 thousand, plus interest of EUR 181 thousand, interest rate 2% p.a., maturity not before 1 January 2025).

iii. Loans granted current

Loans granted of EUR 1,035 thousand presented as at 31 December 2020 include

- A loan due from Asseco Central Europe Magyárországh Zrt. (previously GlobeNet Zrt.) which was in 2014 converted to loan denominated in currency Hungarian Forint (principal EUR 378 thousand plus interests EUR 65 thousand, interest rate 1M BUBOR plus 1.5% p.a., maturity on 31 December 2021),
- A loan due from eDocu a.s. (principal EUR 264 thousand + interests EUR 27 thousand, interest rate 2.5% p.a., maturity on 31 December 2021),
- A loans due from LittleLane, s.r.o. (principal EUR 22 thousand plus interests EUR 1 thousand, interest rate 1% p.a., maturity on 31 December 2021, principal EUR 13 thousand plus interests EUR 0 thousand, interest rate 1% p.a., maturity on 31 December 2021, principal EUR 17 thousand plus interests EUR 0 thousand, interest rate 1% p.a., maturity on 31 December 2021),
- loan due from PROSOFT Košice, a.s. (principal EUR 280 thousand plus interests EUR 7 thousand, interest rate 1.5% p.a., maturity on 31 December 2021),

Loans granted of EUR xxx thousand presented as at 31 December 2020 include

- A loan due from Asseco Central Europe Magyárországh Zrt. (previously GlobeNet Zrt.) which was in 2014 converted to loan denominated in currency Hungarian Forint (principal EUR 389 thousand plus interests EUR 57 thousand, interest rate 1M BUBOR plus 1.5% p.a., maturity on 31 December 2020),
- A loan due from eDocu a.s. (principal EUR 264 thousand + interests EUR 21 thousand, interest rate 2.5% p.a., maturity on 31 December 2020),
- A loans due from LittleLane, s.r.o. (principal EUR 22 thousand plus interests EUR 0 thousand, interest rate 1% p.a., maturity on 30 Jun 2020, principal EUR 13 thousand plus interests EUR 0 thousand, interest rate 1% p.a., maturity on 31 March 2020, principal EUR 17 thousand plus interests EUR 0 thousand, interest rate 1% p.a., maturity on 31 December 2020),
- loan due from ILC FACTORY a.s. in currency CZK (principal EUR 311 thousand plus interests EUR 18 thousand, interest rate 5% p.a., maturity on 31 May 2020)
- loan due from PROSOFT Košice, a.s. (principal EUR 280 thousand plus interests EUR 3 thousand, interest rate 1.5% p.a., maturity on 31 December 2020),

In 2017 the Company created an allowance for a loan due from DanubePay, a.s. of EUR 1,890 thousand. During 2018 part of this allowance was reversed because the loan was partially paid. DanubePay, a.s. fully paid off the loan during 2019 and the remainder of the allowance, amounting to EUR 62 thousand, was reversed.

iv. Other financial assets

As at 31 December 2020, the Company owned bill of exchange totaling EUR 418 thousand, with maturity on 31 January 2021 (EUR 418 thousand, interest rate 6%). The company created writte-off to this bill of EUR 200 thousand, because there are doubts that it will be repaid. From this reason the interest was not calculated.

As at 31 December 2019, the Company owned bills of exchange totaling EUR 2,718 thousand, with maturity on 10 January 2020 (EUR 418 thousand, interest rate 6%), 5 February 2020 (EUR 2,000 thousand, interest rate 6%) and 27 April 2020 (EUR 300 thousand, interest rate 6%).

5.9. Deferred expenses

Deferred expenses comprise expenses incurred before the balance sheet date that relate to future periods.

In particular, deferred expenses may include the following items:

- rent paid in advance;
- insurances;
- subscriptions;
- prepaid third-party services to be provided in future periods;
- other expenses incurred that relate to future periods.

Current	31 Dec 2020	31 Dec 2019
Maintenance services	610	794
Pre-paid insurance	44	49
Pre-paid other services	74	32
Other	4	61
Total	**732**	**936**

Non-current	31 Dec 2020	31 Dec 2019
Maintenance services	287	380
Pre-paid insurance	0	1
Pre-paid other services	1	4
Other	-	-
Total	**288**	**385**

5.10. Inventories

Inventories are valued at whichever is the lower of purchase price/production cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. The Company measures the cost of inventories consumed by using the specific identification method. Revaluation write-downs of inventories are recognized in operating expenses.

The Company as at 31 December 2020 and in the comparative period register Inventory as it is presented in the table below:

	31 Dec 2020	31 Dec 2019
Raw materials, spare parts and other components used in implementation or maintenance of IT systems	-	-
Computer hardware, third party licenses and other goods for resale	583	-
Write-down of inventories	-	-
Total	**583**	**-**

Changes in the amount of write-down of inventories during the period of 12 months ended 31 December 2020 and in the comparable period are presented in the table below:

Write-down of inventories	31 December 2020	31 December 2019
Write-down of inventories as at 1 January	**-**	**-**
Recognized during the reporting period	-	-
Utilized during the reporting period	-	-
Acquisition of subsidiaries	-	-
Change of presentation	-	-
Write-down of inventories as at 31 December	**-**	**-**

5.11. Trade receivables, contract assets and other receivables

Trade receivables, payment terms of which usually range from 14 to 30 days, are recognized and disclosed at the amounts initially invoiced, less any allowances for uncollectable receivables. Receivables with remote payment terms are recognized at the present value of expected payments less any allowances.

Loss allowance of trade receivables

To determine the value of loss allowance for trade receivables the Company uses a simplified approach and does not track the changes in credit risk of receivables. Loss allowance is recognized at the amount of lifetime expected credit losses. For this purpose the Company uses a provision matrix based on historical credit loss experience, adjusted by information on the future. The Company analyzes its receivables based on statistical provision matrices, including the risk resulting from diversity of its customer base and type of business. When necessary The Company groups its customers into homogeneous segments.

Loss allowance is updated at each reporting date.

For trade receivables overdue by more than 180 days, in addition to the statistical method based on a provision matrix, the Company uses an individual approach. For each trade receivable overdue by more than 180 days and of significant value, the Company recognizes a loss allowance at a level determined by Management, using their professional judgment, based on analysis of customers' financial status and general economic circumstances.

The update of the carrying amount of trade receivables includes not only events that occurred up to the reporting date but also those disclosed subsequently, but prior to publication of these consolidated financial statements. Each year the Company analyzes whether the rules determining the value of loss allowances reflect the actual impairment loss of receivables.

Loss allowances of trade receivables are recognized as part of operating costs. Loss allowances for other receivables are recognized in other operating costs or in financial expenses if the related receivable was recognized as a result of a sale of investment transaction or other operation for which expenses and income relate to financial activity. Allowances of receivable accounts related to interest accrued are recognized in financial expenses.

If the reason for recognition of an allowance is no longer valid, the allowance is reversed, either in total or in an appropriate proportion, being recognized as an increase in the value of a relevant asset or as an adjustment to respective cost items.

At each reporting date the Company estimates the percentage of completed implementation contracts compared to invoices issued.

The Company estimates allowances for trade receivables and contract assets according to IFRS 9 Financial instruments. The simplified approach requires a statistical analysis, which is usually accompanied by the application of assumptions and professional judgment.

Trade receivable	31 Dec 2020	31 Dec 2019
Trade accounts receivable including:	**13,340**	**10,145**
Receivables from related companies, of which:	894	1,424
from subsidiaries	723	*927*
Receivables from other companies	9,275	8,259
Revaluation write-down on doubtful accounts receivable	(161)	(553)
Contracts assets	3,332	1,015

Allowance for trade receivables	
As at 1 January 2020	**(553)**
Created during the reporting period (-)	42
Utilized during the reporting period (+)	-
Reversed during the reporting period (+)	434
As at 31 December 2020	(161)

Trade accounts receivable are not interest-bearing.

The Company has a policy of selling its products to reliable clients only. Consequently, in Management's opinion, credit sales risk does not exceed the level covered by allowances for doubtful accounts as established by the Company.

As at 31 December 2020 and 31 December 2019, no receivables served as security for bank credits.

IT Implementation contracts

If the progress of costs incurred, reduced by expected losses and increased by profits included in the profit and loss account, exceeds the progress of invoiced sales, the amount of non-invoiced sales constituting this difference is presented as trade receivables.

On the other hand, if the progress of invoiced sales exceeds the proportion of costs incurred, decreased by expected losses and increased by profits included in the profit and loss account, future-related (unearned) revenues resulting from such differences are disclosed as trade liabilities.

In 2020 and 2019, the Company executed a number of IT implementation contracts. In line with IFRS 15, sales generated from such contracts are recognized according to their degree of completion. In 2020 and 2019 the Company measured this using the “cost” method (by determining the relation of costs incurred to overall project costs)

The following table includes basic data about for ongoing IT implementation contracts.

	31 Dec 2020	31 Dec 2019
Costs incurred due to execution of IT contracts (-)	(11,045)	(8,008)
Profit (loss) on execution of IT contracts	**8,330**	**5,765**
Total revenues related to IT contracts	19,375	13,773
of which:		
Progress billing	17,614	13,956
Receivables relating to valuation of IT contracts (Note 5.11)	3,332	1,015
Liabilities relating to valuation of IT contracts (-) (Note 5.17)	(1,571)	(1,198)

Transactions with related companies are presented in notes 5.20 to these financial statements.

	as at 31 Dec 2020		as at 31 Dec 2019	
Aging of trade accounts receivable	**amount**	**percentage**	**amount**	**percentage**
Receivables not yet due	11,414	85%	9,192	91%
Receivables past-due up to 3 months	1,017	8%	511	5%
Receivables past-due over 3 months	909	7%	442	4%
Total	**13,340**	**100%**	**10,145**	**100%**

Other receivables	**31 Dec 2020**	**31 Dec 2019**
Receivables from prepayments paid	65	24
Receivables from dividends	716	4,629
Other receivables	1,021	1,072
Total	**1,802**	**5,725**

Other non-current receivables	**31 Dec 2020**	**31 Dec 2019**
Other receivables	218	894
Total	**218**	**894**

Other non-current receivables amounted to EUR 218 thousand for 2020 and EUR 894 thousand for 2019 including the non-current part of the receivable from sale of InterWay, a.s.

5.12. Cash and cash equivalents

Cash and cash equivalents presented in the Statement of Financial Position consist of cash kept in banks and in hand by the Company, current cash deposits with a maturity not exceeding three months, and other highly liquid instruments.

The balance of cash and cash equivalents disclosed in the Financial Statement of Cash Flows consists of the cash and cash equivalents as defined above. For the purposes of the Statement of Cash Flows, the Company decided not to present current account credits (used as an element of financing).

	31 Dec 2020	**31 Dec 2019**
Cash in bank	12,452	8,886
Cash in hand	9	9
Short-term deposits	0	0
Cash equivalents	10	9
Total	**12,471**	**8,904**

The interest on cash in bank is calculated with variable interest rates which depend on the bank overnight deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

Current deposits did not serve as security for any bank guarantees (of due performance of contracts and tender deposits) either at 31 December 2020 or at 31 December 2019.

5.13. Share capital and capital reserves

Shareholders' equity is presented at nominal value. Shareholders' equity comprises the following items:

- share capital, presented in the amount of capital contributions made and paid up;
- share premium from the sale of shares over their par value;
- other comprehensive income;
- retained earnings, including the net profit for the reporting period.

The Company has capital stock amounting to EUR 709,023.84 which consists of 21,360,000 shares.

Par value on shares

All issued shares have a par value of EUR 0.033194 per share and have been fully paid up. In 2020 and 2019 there were no changes in the Company's share capital and share premium account.

5.14. Bank loans, other loans and debt securities

Since 1 January 2018 a new standard regarding financial instruments (IFRS 9) has been in force. Classification of financial liabilities substantially has not changed in comparison to classification under provisions of previous standard - IAS 39.

The Company classifies its financial liabilities to the following categories:

- To be measured at amortized cost,
- To be measured at fair value through profit or loss.

Company classifies all bank loans, other loans and debt securities to be measured at amortised cost. All of the remaining financial liabilities are measured at fair value through profit and loss, besides liabilities arising from acquisition of non-controlling interests in subsidiaries (put options) that are measured in accordance with IFRS 3.

Initially all of bank loans, other loans and debt securities are recognised at purchase price (cost) that constitute fair value of cash received less the costs related directly to obtaining a loan, or issuing a debt security.

Subsequently bank loans, other loans and debt securities are measured at amortised cost using the effective interest rate method. Determination of the amortised cost takes into account the costs related to obtaining a loan, or issuing a debt security, as well as the discounts or bonuses obtained on repayment of the liability.

Loans collected of EUR 20,557 thousand presented as at 31 December 2020 include

- A loan due from Asseco Solutions AG, Germany (principal EUR 3,200 thousand, plus interest of EUR 98 thousand, interest rate 1M EURIBOR + 1.2% p.a., maturity on 24 March 2022)
- A loan due from Asseco Enterprise Solutions, Slovak Republic (principal EUR 8,000 thousand, plus interest of EUR 195 thousand, interest rate 3M Euribor + 1.2% p.a., maturity on 16 April 2028)
- A loan due from Slovenská sporiteľňa, a.s. (principal EUR 19,063 thousand, interest rate 1% p.a., maturity on 30 June 2022)

Loans collected of EUR 22,646 thousand presented as at 31 December 2019 include

- A loan due from Asseco Solutions AG, Germany (principal EUR 3,200 thousand, plus interest of EUR 74 thousand, interest rate 1M EURIBOR + 1.2% p.a., maturity on 24 March 2021)
- A loan due from Asseco Enterprise Solutions, Slovak Republic (principal EUR 8,000 thousand, plus interest of EUR 99 thousand, interest rate 3M Euribor + 1.2% p.a., maturity on 16 December 2027)
- A loan due from Komerčná banka, a.s. (principal EUR 23 thousand, plus interest of EUR 2 thousand for the whole period of the loan contract, maturity on 19 September 2020)
- A loan due from Slovenská sporiteľňa, a.s. (principal EUR 11,250 thousand, interest rate 1% p.a., maturity on 30 June 2022)

5.15. Other financial liabilities

	31 Dec 2020	31 Dec 2019
Deferred payment for shares in acquired subsidiaries	-	-
Other financial liabilities	-	-
Contingent consideration recognized as part of business combination	-	-
Financial liabilities (non-current)	**-**	**-**
Company shareholders dividends	1	5,475
Deferred payment for shares in acquired subsidiaries	-	614
Other financial liabilities	15	-
Contingent consideration recognized as part of business combination	-	-
Financial liabilities (current)	**16**	**6,089**

The contingent consideration recognized as part of the business combination balance as at 31 December 2019 was EUR 614 thousand for Invention s.r.o. (CEIT).

5.16. Lease liabilities

In accordance with IFRS 16, a contract is a lease or contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The right to control the use is transferred under a contract if the lessee has both of the following:

- the right to obtain substantially all of the economic benefits from use of the identified asset; and
- the right to direct the use of the identified asset.

Lease liabilities – initial recognition

At the lease commencement date, the Company measures the lease liability at the present value of lease payments outstanding at that date. The lease payments are discounted by the Company using the incremental borrowing rate.

The lease payments comprise: fixed payments (including in-substance fixed lease payments), less any lease incentives receivable; variable lease payments that depend on an index or a rate; amounts expected to be payable under residual value guarantees; the exercise price of a purchase option (if the Company is reasonably certain to exercise that option); and payments of penalties for terminating the lease (if the Company is reasonably certain to exercise that option).

Variable lease payments that do not depend on an index or a rate are immediately recognized as expenses in the period in which the event or condition that triggers those payments occurs.

Lease liabilities – subsequent measurement

In subsequent periods, the amount of the lease liability is reduced by the lease payments made and increased by interest accrued on that liability. Such interest is calculated by the Company using the incremental borrowing rate of the lessee, which constitutes the sum of the risk-free interest rate (being determined by the Company based on the quotations of relevant IRS derivatives or interest rates on government bonds for relevant currencies) and the credit risk premium for the Company (being quantified on the basis of margins offered to the Company on investment loans adequately secured with assets of the Company).

If a lease contract is subject to modification involving a change in the lease term, a revised amount of in-substance fixed lease payments, or a change in the assessment of an option to purchase the underlying asset, then the lease liability shall be remeasured to reflect such changes. Remeasurement of the lease liability requires making a corresponding adjustment to the right-of-use asset.

Practical expedients for short-term leases and leases of low-value assets

The Company applies a practical expedient to rental contracts and other contracts of similar nature that are concluded for a period shorter than 12 months from the lease commencement date.

Whereas, the practical expedient for leases of low-value assets is applied by the Company primarily to leases of IT hardware and other equipment with a low initial value. According to guidance provided by the International Accounting Standards Board, items whose value does not exceed USD 5 thousand may be considered as low-value assets.

In both the above-mentioned exceptions, the lease payments are recognized as expenses basically on a straight-line basis, in the period to which they are related. In such case, the Company does not recognize any right-of-use assets or corresponding financial liabilities.

Exemptions from applying IFRS 16

The Company does not apply the provisions of IFRS 16 to rental contracts and other contracts of similar nature for which the underlying assets are recognized as intangible assets. Moreover, IFRS 16 does not apply to intellectual property licensing agreements which are within the scope of IFRS 15**.**

As at 31 December 2020, assets used under lease contracts where the Company is a lessee, included:

- office buildings

The table below presents the amounts of lease liabilities as at 31 December 2020 as well as at 31 December 2019.

	31 December 2020		31 December 2019	
Lease liabilities	**Long-term**	**Short-term**	**Long-term**	**Short-term**
Leases of real estate	-	451	710	936
Leases of transportation vehicles	-	-	-	-
Leases of IT hardware	-	-	-	-
Total	**-**	**451**	**710**	**936**

Minimum future cash outflows and liabilities under the lease agreements are as follows:

Lease of office space		
	31 Dec 2020	**31 Dec 2019**
up to 1 year	451	936
over 1 year but less than 5 years	-	625
over 5 years	-	85
Future minimum lease payments	**451**	**1,646**
Future interest costs	**(3)**	(55)
Present value of lease liability		
up to 1 year	448	907
over 1 year but less than 5 years	-	635
over 5 years	-	49
Lease liability	448	**1,591**

Incremental interest rate used 2.5%.

5.17. Trade payable and other liabilities

Trade payables relating to operating activities are recognized and disclosed at the amounts stated on the invoices as received, and are recognized in the reporting periods to which they relate. Other liabilities relate to operating activities, although unlike trade payables related to operating activities, they have not been invoiced.

Current trade payable	31 Dec 2020	31 Dec 2019
Trade payable to related companies	379	1,285
Trade payable to other companies	5,719	5,257
Liabilities relating to valuation of IT contracts	1,571	1,198
Liabilities due to non-invoiced deliveries	2,104	929
Total	**9,773**	**8,669**

Non-current trade payable	31 Dec 2020	31 Dec 2019
Trade payable to other companies	-	16
Total	**-**	**16**

Trade payables are not interest-bearing. Transactions with related companies are presented in note 5.20 to these financial statements. The standard payment period for trade accounts payable is 30 days.

Liabilities due to taxes, import tariffs, social security and other regulatory benefits payable	31 Dec 2020	31 Dec 2019
Value added tax	811	912
Corporate income tax (CIT)	673	237
Personal income tax (PIT)	159	168
Social Insurance Institution	518	549
Total	**2,161**	**1,866**

The amount resulting from the difference between VAT payable and VAT receivable is paid to the relevant tax authorities on a monthly basis.

Other current liabilities	31 Dec 2020	31 Dec 2019
Liabilities to employees relating to salaries and wages	732	762
Liabilities from purchase of property, plant, equipment and intangible assets to parent company and subsidiaries	77	27
Liabilities from purchase of property, plant, equipment and intangible assets to entities related through the company's key management personnel	97	-
Other liabilities to related parties	-	157
Other liabilities to unrelated parties	28	131
Total	**934**	**1,077**

Other non-current liabilities	31 Dec 2020	31 Dec 2019
Liabilities from purchase of property, plant, equipment and intangible assets to parent company	252	-
Total	**252**	**-**

Social fund liability is included under “Other liabilities”, according to Social Fund Act (Nr. 152/1994 Z.z.). The balance of social fund liability is EUR 9 thousand as at 31 December 2020.

5.18. Non-current and current provisions for liabilities

A provision is recognized when the Company has a present obligation (legal or constructive) as a result of a past event, when 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. Where the Company expects that the expenditure required to settle a provision is to be reimbursed, e.g., under an insurance contract, this reimbursement is recognized as a separate asset when, and only when, it is virtually certain that such reimbursement will be received. The expense relating to such a provision is presented in the profit and loss account, net of the amount of any reimbursements.

The Company recognizes provisions for onerous contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Where the effect of the value of money in time is material, the amount of a provision is determined by discounting the expected future cash flows to their present value, using a pre-tax discount rate that reflects current market assessments of the value of money in time and the risks related to the liability. Where the discounting method is used, the increase in a provision due to the passage of time is recognized as borrowing costs.

Warranty provisions

Provisions for warranty-related costs are recognized when the product is sold or the service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually. The average warranty period is six months.

The provision for the costs of warranty repairs is created in relation to the implementation of own software with no maintenance contract under which any potential issues or claims from the customer could be settled. Based on the experience from previous years, the warranty provision is released over the period of six months.

	Provision for warranty repairs	Provision for contractual penalties	Total
As at 1 January 2020	**64**	**62**	**126**
Provisions established during financial year (+)	-	-	-
Provisions reversed (-)	-	-	-
Provisions utilized (-)	-	-	-
As at 31 December 2020	**64**	**62**	**126**
Short-term as at 31 December 2020	64	62	126
Long-term as at 31 December 2020	-	-	-
As at 31 December 2019	**64**	**62**	**126**
Short-term as at 31 December 2019	64	62	126
Long-term as at 31 December 2019	-	-	-

Provisions for contractual penalties

Provisions for contractual penalties includes provisions for penalties and compensations created for contractual penalties, mostly related to delayed projects.

5.19. Accrued expenses and deferred income

Accrued expenses are recognized in profit and loss in the amount of the probable obligations related to the current reporting period, in particular resulting from the supplies delivered / services rendered to the entity by its contractors, when the obligation's amount can be reliably valued.

Utilization of accruals may fall according to the time or volumes of supplies / services. Time and manner of amortization is justified with the nature of the costs amortized, with respect to the prudence principle.

Deferred income (unearned revenues) relates mainly to prepayments received for the provision of maintenance services in future periods. The Company applies deferred expenses or deferred income accounts if such income or expenses relate to future reporting periods. By contrast, accrued expenses are disclosed in the amount of probable liabilities relating to the present reporting period.

Accrued expenses and deferred income are presented in the statement of financial position as non-current and current liabilities.

Current accrued expenses	31 Dec 2020	31 Dec 2019
Accrual for unutilized vacation	653	657
Accrual for employee bonuses	3,039	2,411
Total	**3,692**	**3,068**

Accrued expenses mainly consist of the accrual for unused vacation, accruals for salaries and wages of the current period to be paid out in future periods, which result from the bonus schemes applied by the Company as well as other employee-related accruals.

Quarterly (for the 4th quarter) and annual bonuses are included in accruals for employee bonuses as at 31 December 2020

Current deferred income	31 Dec 2020	31 Dec 2019
Maintenance services	284	381
Licence fees	72	57
Implementation	131	-
Other	3	1
Total	**490**	**439**

Non - current deferred income	31 Dec 2020	31 Dec 2019
Maintenance services	173	273
Licence fees	103	152
Other	0	2
Total	**276**	**427**

The balance of deferred income mainly relates to prepayments for the provision of services such as maintenance and IT support and license fees.

5.20. Transactions with related companies

	Asseco Central Europe sales to related companies in the period of		Asseco Central Europe purchases from related companies in the period of		Asseco Central Europe receivables as at		Asseco Central Europe liabilities as at	
	12 months ended 31.12.2020	12 months ended 31.12.2019	12 months ended 31.12.2020	12 months ended 31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
Transactions with parent company	**170**	**200**	**89**	**119**	**43**	**75**	**26**	**5,516**
Asseco Poland S.A.	-	-	89	88	-	-	26	11
Asseco International	170	200	-	31	43	75	-	5,505
Transactions with subsidiaries	**944**	**695**	**2,498**	**3,628**	**1,229**	**5,075**	**8,243**	**9,056**
Asseco Central Europe a.s. CZ	864	642	1,552	1,807	68	2,177	24	4
exe, a. s.	-	-	121	55	186	1	-	100
Asseco Central Europe Magyarorszag Zrt.	46	45	-	2	883	909	-	-
DWC	34	8	825	1,764	31	3	24	853
IPI s.r.o.	-	-	-	-	61	1,045	-	-
INVENTION, s.r.o.	-	-	-	-	-	940	-	-
Asseco Enterprise Solutions, a.s.	-	-	-	-	-	-	8,195	8,099
Transactions with sister companies	**264**	**406**	**389**	**852**	**570**	**837**	**3,602**	**3,789**
Payten LLC Croatia	-	-	-	1		-	-	-
Asseco Software Nigeria Ltd.	94	383	-	-	347	829	22	20
Dahliamatic Sp. z o.o.	-	-	28	26		-	199	-
Berit	30	2		-	3	2	-	-
Asseco Solutions a.s. SR	11	19	287	799	5	5	80	338
Asseco Solutions a.s. ČR	3	2	43	26	1	1	2	0
Asseco Solutions AG, Nemecko	-	-	-	-		-	3,299	3,431
CEIT Slovakia, a.s.	94		31		200		-	
Asseco Central Asia	32		-		14		-	
Transactions with associates	**685**	**687**	**1,234**	**94**	**3,744**	**3,948**	**100**	**-**
eDocu, a.s.	308	27	779	44	329	743	-	-
Galvaniho 5, s.r.o.	55	-	-	-	2,942	2,886	-	-
LittleLane, s.r.o.	-		60		53		20	
PROSOFT Košice, a.s.	322	660	395	50	420	319	80	-
Transactions with entities (individuals and/or legal entities) related through Group's key management personnel	**8**	**8**	**429**	**82**	**1**	**-**	**350**	**-**
ABK Design & Consulting, s.r.o.	-	-	18	18	-	-	-	-
Asset a.s.	8	7	411	64	1	-	350	-
KIUK spol s r.o.	-	1	-	-	-	-	-	-
Total	**3,444**	**1,996**	**7,613**	**4,775**	**5,587**	**9,935**	**12,321**	**18,361**

5.21. Information on transactions with other related entities

As at 31 December 2020 and as at 31 December 2019, according to information available to Asseco Central Europe, a. s., there were no significant liabilities due to transactions conducted with companies related through Key Management Personnel (boards of directors and supervisory boards of the Group companies) or with the Key Management Personnel themselves.

As at 31 December 2020 and as at 31 December 2019, according to information available to Asseco Central Europe, a. s., there were no significant outstanding receivables due to transactions conducted with companies related through the Key Management Personnel (boards of directors and supervisory boards of the Group companies) or with the Key Management Personnel.

In the 12-month periods ending 31 December 2020 and 31 December 2019, according to the accounting books and best knowledge of the management of Asseco Central Europe, a. s. there were no significant transactions conducted with companies related through the Key Management Personnel or with the Key Management Personnel.

VI. Notes to the Statements of Cash Flows

6.1. Cash flows from operating activities

The table below presents items representing changes in working capital as disclosed in the Statement of Cash Flows:

Changes in working capital	12 months ended 31 Dec 2020	12 months ended 31 Dec 2019
Change in inventories	(583)	-
Change in receivables	(3,367)	2,992
Change in liabilities	1,459	(355)
Change in deferred and accrued expenses	825	387
Change in provisions	-	-
TOTAL	**(1,666)**	**3,024**

6.2. Cash flows from investment activities

For the period of 12 months ended 31 December 2020, the balance of cash flows from investment activities resulted mainly from the following income and expenditures:

- Acquisitions of tangible and intangible assets, including purchases of buildings and property, plant and equipment for EUR 357 thousand and purchases of intangible assets for EUR 254 thousand
- Expenditures related to a research and development project for EUR 171 thousand
- Dividend received for EUR 13,144 thousand
- Acquisition of subsidiaries and associates related predominantly to INVENTION, a.s. (CEIT) (EUR 586 thousand), PROSOFT Košice s.r.o. (EUR 28 thousand) and capital increase in associated Galvaniho 5, s.r.o (EUR 638 thousand)
- Sale of investment in subsidiaries related to repayment of the liability from sale of InterWay, a.s. (EUR 576 thousand)
- Purchase of investment in debt instruments represented by purchase of bills (EUR 418 thousand)
- Cash inflows from investment in debt instruments represented by bills payable during 2020 (EUR 2,718 thousand)
- Purchase of financial assets for EUR 464 thousand represents purchase of share of the company Rioacath FNDB, a.s.

6.3. Cash flows from financing activities

In the 12 months ending 31 December 2020, the balance of cash flows from financing activities resulted mainly from the following income and expenditures:

- Repayment of bank and other loans represented by repayment of the loans provided by Slovenská Sporiteľňa, a.s. (EUR 2,187 thousand) and Komerčná banka, a.s. (EUR 23 thousand)
- Dividends paid to shareholders of the Parent Company of EUR 13,862 thousand
- Dividends paid to non-controlling interests of EUR 797 thousand.

VII. OBJECTIVES AND PRINCIPLES OF FINANCIAL RISK MANAGEMENT

The Company is exposed to a number of risks arising from the macroeconomic situation of the countries in which it operates. The main external factors that may have an adverse impact on the Company's financial performance are: (i) fluctuations in foreign currency exchange rates against the euro, and (ii) changes in market interest rates. Financial results are also indirectly affected by the pace of GDP growth, the value of public orders for IT solutions, the level of capital expenditures made by enterprises and the inflation rate. In addition, the internal factors with potential negative bearing on the Company's performance include: (i) risk related to the increasing cost of work, (ii) risk arising from underestimation of project costs when entering into contracts and (iii) risk of concluding a contract with a dishonest customer.

Foreign currency exposure risk

The Company's presentation currency is the euro; however, some contracts are denominated in foreign currencies. With regard to the above, the Company is exposed to potential losses resulting from fluctuations in foreign currency exchange rates versus the euro in the period between concluding a contract and invoicing.

Identification: According to the Company's procedures for entering into commercial contracts, each agreement concluded or denominated in a foreign currency, different from the Company's functional currency, is subject to detailed registration. Based on this solution, any currency risk involved is detected automatically.

Measurement: The foreign currency risk exposure is measured by the amount of an embedded financial instrument on one hand, and on the other by the amount of currency derivative instruments concluded in the financial market. The procedures applicable to the execution of IT projects require systematic updates of the project implementation schedules and the cash flows generated under such projects.

Objective: The purpose of countering the risk of fluctuations in foreign currency exchange rates is to mitigate their negative impact on the contract margins.

Measures: In order to hedge contracts settled in foreign currencies, the Company concludes simple currency derivatives such as forward contracts and, in the case of embedded instruments under foreign currency-denominated contracts, non-deliverable forward contracts. In addition, forward contracts with delivery of cash are applied for foreign currency contracts.

Matching: Hedging against foreign currency risk requires selection of suitable financial instruments to offset the impact of changes in the risk-causing factor on the Company's financial performance (the changes in embedded instruments and concluded instruments are balanced out). Nevertheless, because project implementation schedules and cash flows generated are characterized by a high degree of changeability, the Company is subject to changes in its exposure to foreign exchange risk. Therefore, the Company dynamically transfers its existing hedging instruments or concludes new ones with the objective of ensuring the most effective matching. It has to be taken into account that the valuation of embedded instruments changes with reference to the parameters as at the contract signing date (spot rate and swap points), while transfer or conclusion of new instruments in the financial market may only be effected on the basis of the current rates available. Hence, it is possible that the value of financial instruments will not be matched and the Company's financial result will be potentially exposed to foreign currency risk.

The overall impact of foreign currency risk on the financial statements, from changes in exchange rates, was insignificant as of 31 December 2020.

In order to hedge against the risk of changes in foreign currency exchange rates and in interest rates, the Company utilizes currency forward contracts. Such financial derivatives are measured at fair value. Derivative instruments are recognized as assets or liabilities depending on whether their value is positive or negative.

Fair value of currency forward contracts is determined on the basis of the forward exchange rates currently available for contracts with similar maturity.

Gains and losses on changes in fair value of derivatives are recognized directly in profit or loss for the current financial reporting period, due to the fact that the Company does not use financial instruments which are qualified for hedge accounting.

Interest rate risk

Changes in market interest rates may have a negative influence on the financial results of the Company. The Company is exposed to the risk of interest rate changes primarily in two areas of its business activities: (i) credit facilities granted by external financial institutions, which are based on a variable interest rate, and (ii) changes in valuation of concluded and embedded derivative instruments, which are based on the forward interest rate curve. More information on factor (ii) may be found in the description of currency risk management.

Identification: The interest rate risk arises and is recognized at the time of concluding a transaction or a financial instrument based on a variable interest rate. All such agreements are subject to analysis by the appropriate departments within the Company; hence the knowledge of that issue is complete and acquired directly.

Measurement: The Company measures exposure to interest rate risk by preparing statements of the total amount resulting from all the financial instruments based on a variable interest rate.

Objective: The purpose of reducing such a risk is to eliminate occurrence of higher expenses due to the concluded financial instruments based on a variable interest rate.

Measures: In order to reduce its interest rate risk, the Company may: (i) try to avoid taking out credit facilities based on a variable interest rate or, if not possible, (ii) conclude forward rate agreements.

Matching: The Company gathers and analyzes the current market information concerning its present exposure to interest rate risk. Currently, the Company does not hedge against changes in interest rates due to the high degree of unpredictability of their credit repayment schedules.

The Company bears no loans and credits, hence is not exposed to this risk.

Credit risk

The Company is exposed to the risk of defaulting contractors. This risk is connected firstly with the financial credibility and goodwill of the contractors to whom the Company provides IT solutions, and secondly with the financial credibility of the contractors with whom supply agreements are concluded. The maximum exposure does not exceed the carrying amount of financial assets.

Identification: The risk is identified each time when concluding contracts with customers, and afterwards during the settlement of payments.

Measurement: Determination of this type of risk requires the knowledge of any complaints or pending judicial proceedings against a client already in existence at the time of signing an agreement. Every two weeks the Company is obliged to check the settlement of payments under concluded contracts, inclusive of profit and loss analysis for individual projects.

Objective: The Company strives to minimize this risk in order to avoid financial losses resulting from the commencement and partial implementation of IT solutions, and to sustain the margins adopted for executed projects.

Measures: As the Company operates primarily in the banking and financial sectors, its customers are concerned about maintaining their good reputation. Here the engagement risk control is usually limited solely to monitoring the timely execution of bank transfers and, if required, sending reminders of outstanding payments. However, in the case of smaller clients, it is quite helpful to monitor their industry press and analyze the Company's previous experiences and those of its competitors. The Company concludes financial transactions with reputable brokerage houses and banks.

Financial liquidity risk

The Company monitors the risk of funds shortage using the tool for periodic planning of liquidity. This solution takes into account the maturity deadlines of investments and financial assets (e.g., accounts receivable, other financial assets) and cash flows anticipated from operating activities.

The Company's objective is to maintain a balance between continuity and flexibility of financing by using various sources of funds.

The following table shows the Company's trade accounts payable and other liabilities as at 31 December 2020 and 31 December 2019, by maturity period based on contractual undiscounted payments.

	as at 31 Dec 2020		as at 31 Dec 2019	
Aging structure of trade trade payable and other liabilities	**amount**	**structure**	**amount**	**structure**
Liabilities already due	1,889	6%	597	1%
Liabilities due within 3 months	10,475	33%	15,559	39%
Liabilities due within 3 to 12 months	5,375	17%	5,375	13%
Liabilities due after 1 year	14,244	44%	18,557	46%
Total	**31,983**	**100%**	**40,088**	**100%**

Financial guarantees provided are described in Note 8.1.

Foreign currency risk

The Company tries to conclude contracts with clients in its functional currency to avoid exposure to the risk arising from fluctuations in foreign currency exchange rates.

The analysis of sensitivity of trade accounts payable and receivable to fluctuations in the exchange rates of the CZK and other currencies against the functional currencies of the company indicates that exposure to foreign currency risk is not significant.

		Impact on financial results of the Company	
Trade accounts receivable and payable as at 31 December 2020	**Amount exposed to risk**	**-10%**	**10%**
CZK :			
Trade accounts receivable	247	(25)	25
Trade accounts payable	140	14	(14)
USD :			
Trade accounts receivable	362	(36)	36
Trade accounts payable	16	2	(2)
PLN:			
Trade accounts receivable	-	-	-
Trade accounts payable	11	(1)	1
Balance	**776**	**(46)**	**46**

Trade accounts receivable and payable as at 31 December 2019	Amount exposed to risk	Impact on financial results of the Company -10%	10%
CZK :			
Trade accounts receivable	333	(33)	33
Trade accounts payable	142	14	(14)
USD :			
Trade accounts receivable	878	(88)	88
Trade accounts payable	-	-	-
PLN:			
Trade accounts receivable	-	-	-
Trade accounts payable	11	(1)	1
Balance	**1,364**	**(108)**	**108**

Effects of reducing interest rate risk

The analysis of sensitivity related to fluctuations in interest rates of loans granted indicates the following net impact on financial results:

Loans granted based on variable interest rates as at 31 December 2020	Amount exposed to risk	Impact on financial results -15%	15%
Loans granted based on BUBOR	403	-	-

Loans granted based on variable interest rates as at 31 December 2019	Amount exposed to risk	Impact on financial results -15%	15%
Loans granted based on BUBOR	434	-	-

Loans collected based on variable interest rates as at 31 December 2020	Amount exposed to risk	Impact on financial results -15%	15%
Loans collected based on EURIBOR	11,494	(5)	5

Loans collected based on variable interest rates as at 31 December 2018	Amount exposed to risk	Impact on financial results -15%	15%
Loans collected based on EURIBOR	11,373	(5)	5

Other financial assets (bills of exchange) and loans (eDocu, Galvaniho 5, LittleLane, PROSOFT Košice, a.s) are based on fixed interest rates and are not included in the sensitivity analysis.

Methods adopted for conducting sensitivity analysis

The analysis of sensitivity to fluctuations in foreign exchange rates and interest rates, with potential impact on our financial results, was conducted using the percentage deviations of +/-10% and +/-15%, by which the reference exchange rates and interest rates, effective as at the balance sheet date, were increased or decreased.

Fair value

The Company considers three levels of hierarchy to nominate the fair value of financial instruments. First level: the fair value of financial instruments which are actively traded on organized financial markets is nominated based on quoted market prices. Second level: the fair value of financial instruments for which no quoted market price is available is nominated based on the actual market price of another instrument which is identical. Third level: fair value is determined based on discounted cash flows from the net assets underlying the financial instrument.

In practice the Company determines the fair value of its financial instruments using the second or third level, the actual market price of identical derivative financial instruments. There was no outstanding position of financial instruments at fair value as of 31 December 2020 except of share of the company Rioacath FNDB value of CZK 20 000 thousand (EUR 804 thousand).

VIII. Other explanatory notes to the Individual Financial Statements

8.1. Contingent liabilities concerning related companies

As at 31 December 2020, guarantees and sureties issued for Asseco Central Europe a. s. were as follows:

- Asseco Central Europe a. s. uses bank guarantees issued by Komerční banka a. s. of EUR 467 thousand to secure its obligations towards various public offering procurers (guarantees are effective up to the end of the year 2021).

As at 31 December 2019, guarantees and sureties issued for Asseco Central Europe a. s. were as follows:

- Asseco Central Europe a. s. uses bank guarantees issued by Komerční banka a. s. of EUR 4,340 thousand to secure its obligations towards various public offering procurers (guarantees are effective up to the end of April 2021).

As at 31 December 2020, guarantees and sureties issued by Asseco Central Europe a. s. were as follows:

- PROSOFT Košice, a.s. (subsidiary) was granted a guarantee of EUR 1,500 thousand to back up its liabilities towards Tatra banka, a.s. under a framework credit agreement.
- Asseco Central Europe, a. s. (Czech republic) (subsidiary) was granted a guarantee of CZK 100 000 thousand (EUR 3 811 thousand) to back up its liabilities towards Česká spořitelna, a.s. under a framework credit agreement.

As at 31 December 2019, guarantees and sureties issued by Asseco Central Europe a. s. were as follows:

- PROSOFT Košice, a.s. (subsidiary) was granted a guarantee of EUR 1,500 thousand to back up its liabilities towards Tatra banka, a.s. under a framework credit agreement.

8.2. Contingent liabilities in favor of other companies

Additionally, as at 31 December 2020 and 31 December 2019, the Company was a party to a number of leasing and tenancy contracts or other similar contracts, resulting in the following future liabilities:

Liabilities under lease of space	31 Dec 2020	31 Dec 2019
In a period up to 1 year	144	180
Total	**144**	**180**

8.3. Employment

Average Company workforce in the reporting period	12 months ended 31 Dec 2020	12 months ended 31 Dec 2019
Management Board	3	4
Production departments	344	347
Direct sales departments	5	7
Indirect sales departments	4	4
Back-office departments	51	48
Total	**406**	**410**

Company workforce as at	31 Dec 2020	31 Dec 2019
Management Board	3	4
Production departments	367	370
Direct sales departments	3	8
Indirect sales departments	4	4
Back-office departments	61	60
Total	**438**	**446**

8.4. Remuneration due to certified auditors or the entity authorized to audit financial statements

The table below discloses the total amounts due to the entity authorized to audit financial statements, Ernst & Young Slovakia, spol. s r. o., paid or payable for the years ended 31 December 2020 and 31 December 2019, broken down by type of service:

Type of service	31 Dec 2020	31 Dec 2019
Obligatory audit of annual financial statements	65	53
Total	**69**	**53**

8.5. Remuneration of Members of the Board of Directors and Supervisory Board of the Company

The table below presents in euros remuneration payable to Members of the Board of Directors and the Supervisory Board of the Company for performance of their functions during 2020 and 2019.

Remuneration for the period of	12 months ended 31 Dec 2020	12 months ended 31 Dec 2019
Board of Directors	952	870
Supervisory Board	60	75

In addditon, there were paid bonuses for results achieved in 2020 in the amount of EUR 453 thousand in the reporting period (in 2019 it was EUR 415 thousand).

8.6. Equity management

The main objective of the Company's equity management is to maintain a favorable credit rating and safe level of equity ratios to support the Company's operating activities and increase value for our shareholders.

The Company manages its equity structure in response to changing economic conditions. In order to maintain or adjust its equity structure, the Company may change its dividend payment policy, return some capital to its shareholders or issue new shares. In 2020 and the year ended 31 December 2019, the Company did not introduce any changes to its objectives, principles and processes adopted in this area.

The Company consistently monitors the balance of its capital using a leverage ratio, which is calculated by comparing net liabilities to total equity increased by net liabilities. It is the Company’s principle to maintain this ratio below 35%. Net liabilities include interest-bearing credits and loans, trade accounts payable and other liabilities, decreased by cash and cash equivalents. Equity comprises own equity attributable to the Company’s shareholders, decreased by reserve capitals from unrealized net profits.

Equity management	31 Dec 2020	31 Dec 2019
Bank loans and other loans	20,557	22,646
Trade accounts payable and other liabilities	448	1,591
Lease liabilities	13,120	21,777
Cash and cash equivalents (-)	(12,471)	(8,904)
Net (assets) and liabilities	21,654	37,110
Shareholders' equity	108,479	101,994
Total equity	108,479	101,994
Equity plus net liabilities	**130,133**	**139,104**
Leverage ratio	**16.64%**	**26.68%**

Trade accounts payable and other liabilities in actual accounting period do not include provisions, deffered income, accrued expenses and financial liabilities as in previous accounting period.

8.7. Seasonal and cyclical nature of business

The Company's activities are subject to seasonality in terms of uneven distribution of turnover in individual quarters of the year. Because the bulk of sales revenues are generated from IT service contracts executed for large companies and public institutions, fourth quarter turnovers tend to be higher than in the remainder of the year. This phenomenon occurs because the above-mentioned entities close their annual budgets for implementation of IT projects and usually carry out investment purchases of hardware and licenses in the last quarter.

8.8. Significant events after the balance sheet date

Up until the date of preparing these individual financial statements, 15 March 2021, no other significant events occurred that might have an impact on these individual financial statement.