



Wealth Effect Management

Annual Report 2022



WEALTH EFFECT
MANAGEMENT

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On means, ends and what “for life” actually means

To all clients, partners and colleagues of Wealth Effect Management o.c.p., a.s.:

When looking at everything we do, what we went through and where we are heading, I have a growing feeling that one of the crucial points about our work is actually:

To understand what we really do.
And to not confuse means and ends.

Yes, we manage our clients’ wealth. We talk about numbers, results, appreciation, risk mitigation, portfolios, percentages and yield.

Means.

Those are means to an end — not an end in itself.

The end, the goal — and it’s vital to remember it — is: We are helping people to live a valuable and meaningful life.

Money is the means helping with that.

What we didn’t talk about enough up to now, however, is the perspective that is becoming clearer the longer we manage our clients’ wealth:

That what we do is actually for life.

Which is why the “for life” is appearing in everything we are doing now. Because that’s the way it is. Because we accompany people throughout the great, colourful and rich scale of everything that money, assets, and wealth mean in the lives of people: From laying the foundations

of the future wealth through its ongoing growing and protection all the way to its transfer so that it can continue and serve further.

That is also one of the reasons why we want to thank you. For your trust so far and for the enduring relationship. We value it immensely and take it as our commitment and responsibility to continue and to keep going and improving so that the relationship for life still keeps making sense for everybody concerned.

Because there’s an interesting thing that happens when you commit for life: Things rearrange into a new grid of relationships and priorities.

The difficult part, then, is to keep discovering just how much this “for life” actually means, what are the consequences of that and what do we therefore need to start and stop doing. And then to uphold and develop it and to keep including it in absolutely everything.

Hence, below you will find some key points on what that lifelong perspective means to us — both inwards and outwards; as an assessment of the previous year as well as our outlook into the future.

What “For life” means to us:

Start early

Much of our effort is directed towards making as many people as possible start saving and building their wealth early. It’s not merely about us maintaining the lifelong perspective within our company — the goal is that people at large start to perceive it as something useful and necessary for their own lives.

Long-term approach

A human life is a long time and this long-term (whole-life, actually) perspective is key to be able to make correct financial decisions. Most investors in Slovakia still think and act mainly based on the short-term perspective, with all the resulting

consequences. That's why we keep teaching our clients (and our team): think long-term. This is also reflected in how most of our portfolios and positions are set-up: For a long-term, so called "long" position. In other words: "Buy and hold".

With this mindset in place and with the corresponding investment strategy it's possible to withstand those turbulent times and fluctuations that are part of the financial markets. Short-term perspective panics and makes bad decisions. Long-term perspective helps to make the most of everything, difficult situations included.

Make important decisions

Year 2022 certainly brought plenty of complex and demanding situations to react to: the greatest slump of stock and bond markets since the great 2008 financial crisis, post-Covid time with the rising inflation, war in Ukraine, recession gradually sinking into all segments of economy.

All of this required an appropriate response to protect or even appreciate our clients' wealth, which resulted in numerous changes in our portfolios and positions.

Evaluate and plan

We expect 2023 to bring a lot of interesting opportunities. Especially with our long-term positions we strive to apply "business picking" approach more than the usual "stock picking" one. Meaning — we look at the companies in our portfolios as business owners rather than merely securities dealers. This is an important shift in perspective resulting from the lifelong perspective: We want to own the companies not just because of the potential to make a quick buck (i.e., short-term) but because we trust them long-term.

Numbers and results don't lie

When building and growing wealth, there is always the ruthless gauge at hand: "Show me the numbers." We can say, humbly and proudly at the same time, that we stand behind our results and believe that active management can bring better results than a passive one. Yes, it's an incomparably more difficult path. But when we look at our results and the cumulative yields of our clients, we can say: "In the end, results speak for themselves."

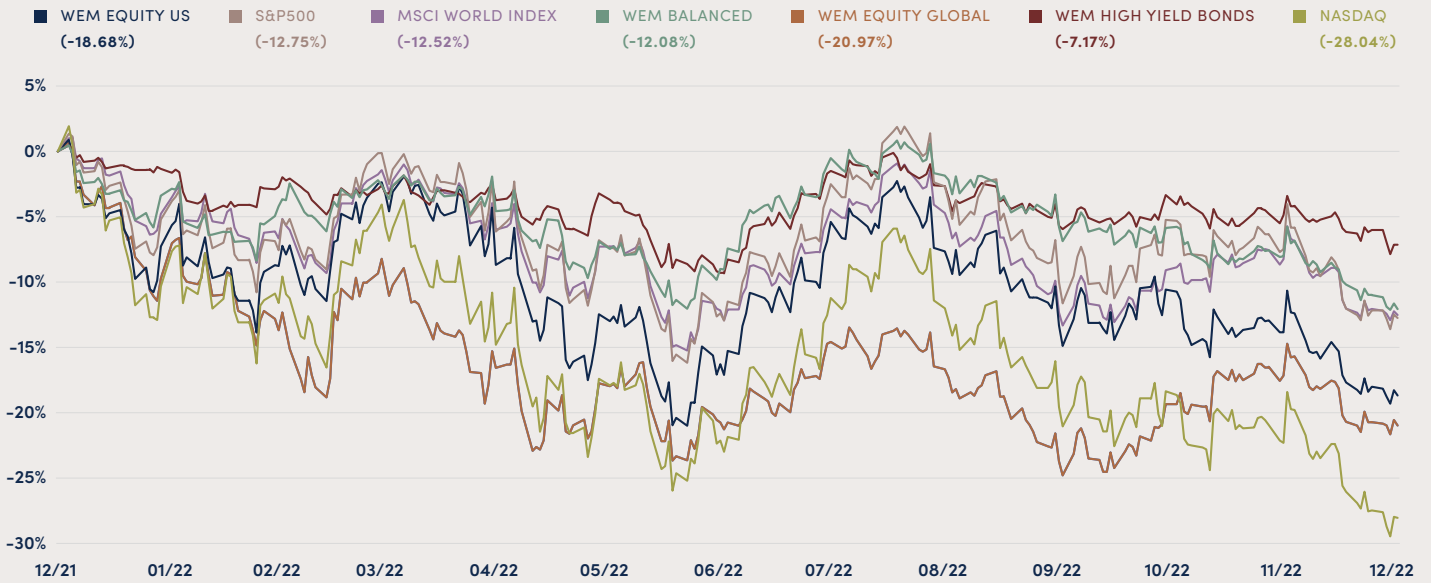
Our main portfolios:





WEM flagship portfolios

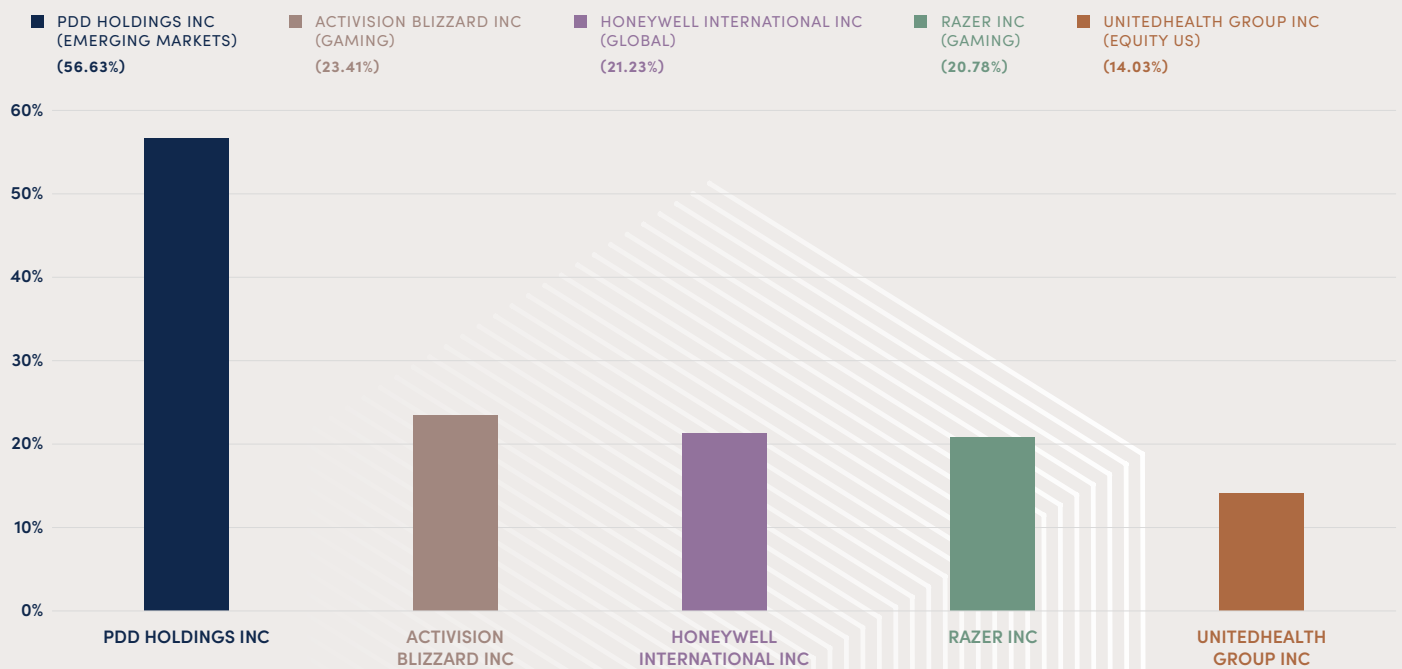
Results for 2022 in EUR



Source: Bloomberg Professional Terminal, 31.12.2021 – 30.12.2022

Best performers

Total return in EUR



Professionalism

A long-term approach is not the only key to achieving those results, though: Professionalism is essential, too. And that must be constantly tested and examined — then it can serve as the basis for selecting the right stocks into our portfolios.

We maintain 148 positions in our main portfolios. Each one of these needs to go through a very thorough selection process that is consequently subject to approval by our investment committee. This committee sits monthly and is made up of seven members — but the data for the committee's decisions come from our portfolio management team which monitors and analyzes markets on a daily basis.

There is also one more crucial element to creation, evaluation and adjustment of our portfolios and it's one not often talked about: self-reflection. Practically speaking, even when voting for the proposals from the portfolio management team, we consider and weigh the votes of the individual committee members. After voting we subsequently judge and evaluate all our decisions — those we approved and those we did not.

It is this self-reflection, evaluation and drawing of conclusions that is, in the end, one of the most important (as well as most demanding) elements of what enables us to improve and grow — and which is then directly reflected in the results of our clients.

Think (far) ahead

One of the key milestones in 2022 was the preparation for gaining an important independence thanks to our own IT infrastructure. This resulted in better client data protection but also our proprietary internal WEM Intelligence system which grants us significantly more flexibility, improves our internal knowledge transfer, and gives us total control while at the same time opens the possibilities for an attractive future scaling.

Wealth management is not merely about investing

Even though there were essentially no wealth management services offered in Slovakia in their full scale and complexity, we see a growing demand after them. The way we see it it's great news since it means more and more people are coming to realize how much wealth can enrich their lives.

And even though we consider ourselves to be among the pioneers of wealth management in Slovakia, we treat it as just another impulse to keep improving these services and offering them to our clients. As a result, apart from clients already using our complex investment, legal or tax services there is also an increasing number of clients reaching out to us to establish their family offices and to help them prepare for the demanding and fascinating step of transferring their wealth to the next generations.

See things as they are

One of the difficult things in business and life is to see things clearly. We've become accustomed to the current era and to the world of social media. Here, things are either perfect (and the imperfections are hidden) — or the other way around and everything is terrible. Either way, the exaggerated reactions and escalated attention of the audience can be constantly stirred up and maintained.

We have somehow lost the happy medium here; that direct and realistic perception of what's actually really happening and how things are. This approach, however, is as important as it is difficult, since it is precisely this that enables you to make the most of everything.

Whether it's tough times in the financial markets or in society at large, or even seeing your own shortcomings — to see things clearly offers you one of the best opportunities to improve and learn crucial lessons.

For us, one of the many applications of this core principle means that despite our steady growth and improving of our economic results we also keep re-evaluating how to manage everything correctly and how to plan our growth so that we can ensure a stable base for our clients and partners at the same time.

Look where the Slovak market is heading and where WEM is heading, too

We don't necessarily put ourselves in a position of somebody entitled to judge where the entire Slovak market as such is heading — we are just drawing from our own experience so far and from our view of where we see our place in it.

Simply put: Slovak market is still in its development phase and there's plenty to improve. Put somewhat more extensively, it is necessary to name several critical points concerning the field of financial intermediation and financial advisory services:

- Financial intermediation and financial advisory companies are not stimulated to develop and improve based on their desire to provide a better service and results for their clients — they are driven by the need to feed their extensive distribution networks and to squeeze the most from the sales of their products and their commission rates.
- As a result, some of the subjects in the market have decided to not only intermediate the products but to create them as well. Considering their motivations outlined above, this is far from the optimal solution for their clients. Case in point: 15 years ago, financial intermediary companies in Slovakia were splitting up en masse and new companies were being established by the dozen. And it had a very tangible impact on the clients — they were overinsured and paying duplicate fees to their new intermediaries. While it was a terrific way to increase the earnings of the unfair intermediaries, it also meant that their clients lost entire years' worth of their earnings.
- The situation is no different today when it comes to investing — establishing of several new securities dealers indicates the same practices being repeated, enabling the dealers to sign new contracts with existing clients and once again collect duplicate fees for the products they have newly created — or even to charge absurd performance fees for passively managed investments.

Securities dealers, however, should serve their purpose — and not merely serve as tools to extract fees from the clients.

This is where we see our place in this. To put it very concretely, our goal is to:

- Use our securities dealer license to offer high-quality support and conditions for the cooperation with the greatest possible amount of (quality) financial intermediary subjects in Slovakia. This association can help them save a significant amount of money needed to establish and run a securities dealer license plus it also enables them to offer their clients a selection of good and well-performing products for acceptable fees.
- Fulfil our role of securities dealer and contribute towards improving the quality of financial services in Slovakia.
- Keep educating our clients as well the population of Slovakia in general.
- Keep adjusting our fees in a fair and objective manner, taking into consideration the quality of our services and our results. Based on the first steps undertaken in this direction we will apply these changes in 2023 to all our clients.

Last but not least, an important part of our approach is that we always start from ourselves. That is also why one of my chief roles in our company is to emphasize my own personal and professional development — and, following that, also the constant development of our people. Key aspect here remains the selection of the right people for our team.

Give things the necessary time

We have many further ideas and initiatives for our further direction and improvement. Here it is crucial to balance the two contradictory elements — the urgency to put it all into practice on one hand — and that long-term, lifelong perspective allowing things to develop and ripen on the other.

After all — our goal is to manage our clients' wealth for life, and we believe (and can see) that satisfied clients are also followed with the desired economic results.

The most important thing is:
We have time.

Time to do things right and to also build our own company for life.

Our cardinal asset here is that WEM is in our hands. There are no silent partners or third parties exerting pressure on us or requiring that we do something that would go against our clients and partners and against our DNA.

It's just us — and you.
Our clients and partners who inspire us and push us forward. To keep improving and to sustain your trust.

For life.

Thank you.



Peter Štadler
CEO & Chairman of the Board
Wealth Effect Management

COMPANY PROFILE

Business name:	Wealth Effect Management o.c.p., a. s.
Registered office:	Sky Park Offices, Bottova 2A, 811 09 Bratislava
Company Identification No.:	51 127 113
Registered with:	Companies Register held at District Court Bratislava I., section: Sa, insert no. 6652/B
WEB:	www.wem.sk
E-mail:	office@wem.sk
Phone no.:	+421 2 321 185 85
Date of Registration:	20 September 2017
Board of Directors:	Bc. Peter Štadler, Chairman of the Board of Directors Position created on: 20 September 2017 Mgr. Matej Baššovanský, member of the Board of Directors Position created on: 18 May 2020
Supervisory Board:	Ing. Michal Kováč, Member of the Supervisory Board Position created on: 20 September 2017 Ing. Norbert Gálik, Member of the Supervisory Board Position created on: 13 December 2021 Eva Jahelka Filipp, Member of the Supervisory Board Position created on: 08 April 2020
Shareholder structure:	Bc. Peter Štadler – 85% Ing. Michal Kováč – 5% Mgr. Matej Baššovanský – 5% Ing. Norbert Gálik – 2.5% Eva Jahelka Filipp – 2.5%

SCOPE OF BUSINESS

1. receipt and forwarding client's order regarding one or more financial instruments in relation to the following financial instruments:

- a) convertible securities,
- b) money market instruments,
- c) securities or shares of collective investment entities,
- d) options, swaps, forwards and other derivatives related to securities, currencies, interest rates or yields or other derivative instruments, financial indices or financial rates that can be settled by delivery or in cash,

2. execution of client's order on their account in relation to the following financial instruments:

- a) convertible securities,
- b) money market instruments,
- c) securities or shares of collective investment entities,
- d) options, swaps, forwards and other derivatives related to securities, currencies, interest rates or yields or other derivative instruments, financial indices or financial rates that can be settled by delivery or in cash,

3. portfolio management in relation to the following financial instruments:

- a) convertible securities,
- b) money market instruments,
- c) securities or shares of collective investment entities,
- d) options, swaps, forwards and other derivatives related to securities, currencies, interest rates or yields or other derivative instruments, financial indices or financial rates that can be settled by delivery or in cash,

4. investment consulting in relation to the following financial instruments:

- a) convertible securities,
- b) money market instruments,
- c) securities or shares of collective investment entities,
- d) options, swaps, forwards and other derivatives related to securities, currencies, interest rates or yields or other derivative instruments, financial indices or financial rates that can be settled by delivery or in cash,

5. allocation of financial instruments without a fixed obligation in relation to the following financial instruments:

- a) convertible securities,
- b) money market instruments,
- c) securities or shares of collective investment entities,
- d) options, swaps, forwards and other derivatives related to securities, currencies, interest rates or yields or other derivative instruments, financial indices or financial rates that can be settled by delivery or in cash,

6. custody and management of financial instruments on the client's account, including custody administration, and related services, especially funds management and financial pledges in relation to the following financial instruments:

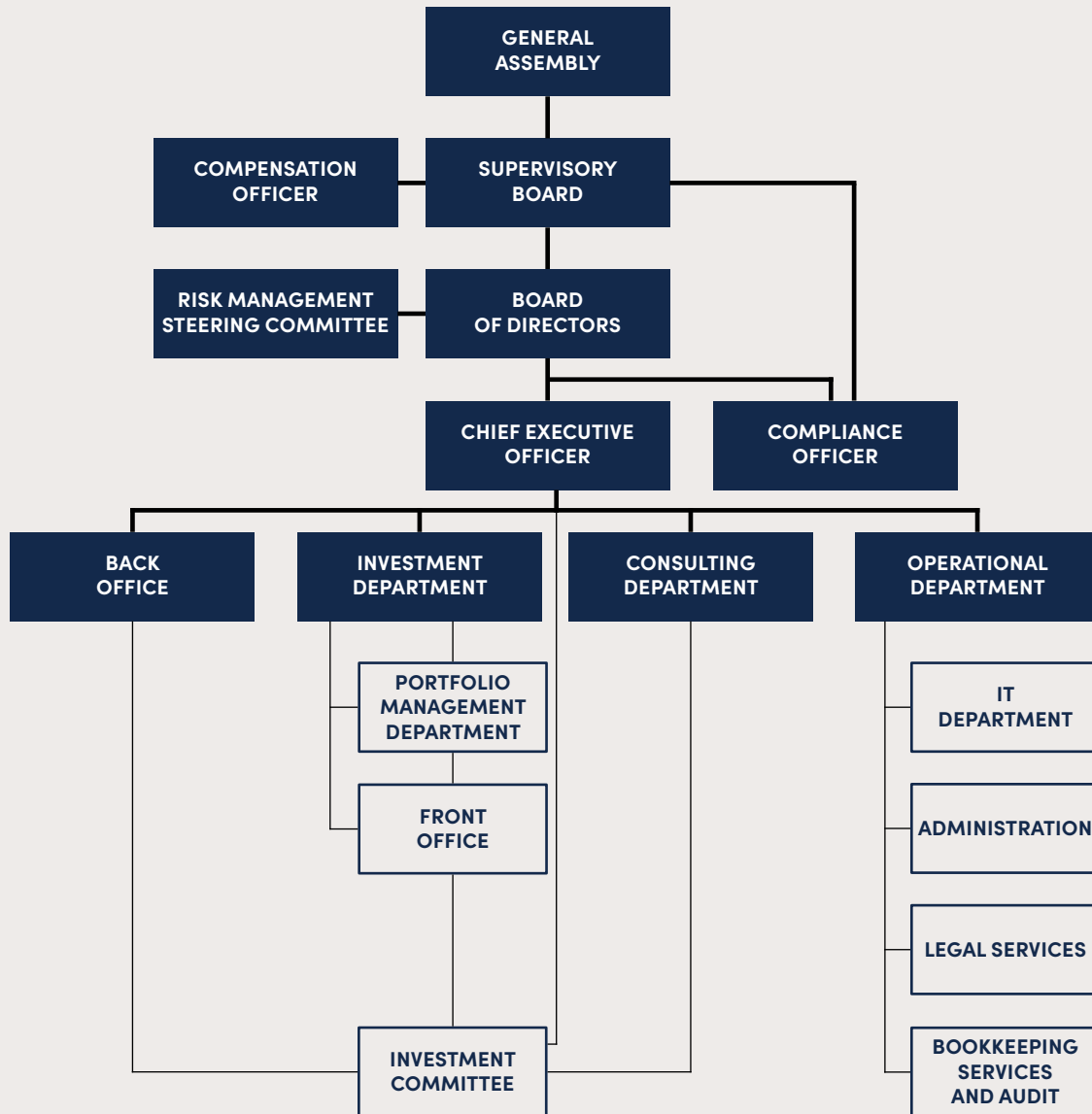
- a) convertible securities, b) money market instruments,
- c) securities or shares of collective investment entities,
- d) options, swaps, forwards and other derivatives related to securities, currencies, interest rates or yields or other derivative instruments, financial indices or financial rates that can be settled by delivery or in cash,

7. consulting services in the field of capital structure and business strategy as well as provision of consulting and services regarding merge, fusion, transformation or division of a company or purchase of an enterprise,

8. execution of trades with foreign exchange values, as far as these are related to the provision of investment services,

9. performance of an investment survey and financial analysis or other form of general recommendation related to trades with financial instruments.

ORGANIZATIONAL STRUCTURE



REPORT ON BUSINESS ACTIVITIES IN 2022

Information on the Balance Sheet and the Profit and Loss Statement

The business and economic activity of the company achieved the specified targets regarding the results for clients in 2022, by appreciating their assets. The company recorded a profit in 2022.

Overview of received bank loans and other types of loans

The company did not receive any bank loans or other loans in 2022.

Information on issued and outstanding securities

As of the date of financial statements, the company does not register any issued and outstanding securities.

Information on issued bonds

Since its establishment till the date of the financial statements, the company has not issued any bonds.

Profit or loss before tax and information on distribution of profit or information on settlement of loss

In 2022, the company achieved profit before tax in the amount of EUR 111,754 (EUR 88,582 after tax) that is expected to be transferred to the following account – Retained earnings or accumulated losses from previous years, after the financial statements are approved by the general assembly.

Return on assets

The company's return on assets was positive in 2022, as it achieved profit.

Description of the nature of an activity and geographical location

The company focuses on investment services of portfolio management and services that can be directly related to this service, such as custody administration of financial instruments, including the administration of funds.

The company operates in the Slovak Republic and upon the right to freely provide services without setting up a branch office in Bulgaria (since 28 December 2017). The company has no organizational unit abroad.

Revenue

The company provided investment services throughout the entire year of 2022. The revenue for the observed period amounted to EUR 570,365.

Employees

The number of staff employed full time equals 4 employees as of the date of financial statements.

Income tax

Income tax for 2022 amounts to EUR 23,172.

Received subsidies

The company did not receive any subsidies from public resources in 2022.

INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT
FINANCIAL STATEMENT AND ANNUAL REPORT
31.12.2022

Wealth Effect Management o.c.p., a.s.
Bottova 2A
811 09 Bratislava – mestská časť Staré Mesto



INDEPENDENT AUDITOR'S REPORT

To the Shareholders, the Supervisory Board and the Board of Directors
of Wealth Effect Management o.c.p., a.s.

REPORT ON AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

We conducted the audit of the financial statements of Wealth Effect Management o.c.p., a.s. (hereinafter referred to as the "Company") that include the balance sheet as of 31 December 2022, the profit and loss statement for the year ending on the above date and notes containing the summary of important accounting principles and methods.

In our opinion, the accompanying financial statements present truly and fairly the financial position of the Company as of 31 December 2022 and its net income for the year that ended as of the above date, pursuant to the Act No. 431/2002 Coll. on Accounting as amended (hereinafter referred to as the "Accounting Act").

Basis for our opinion

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

Statutory body's responsibility for the financial statements

The statutory body is responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting Act, as well as for the internal inspection that the statutory body deems necessary for the preparation of the financial statements, which does not contain any material inaccuracies due to fraud or error.

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue its operation, for disclosure of eventual circumstances related to the Company's continuation in operation, as well as for the preparation of the financial statements while taking into account the assumption of continuous operation, except when the statutory body intends to liquidate the Company or terminate its operation or has no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial statements

Our objective is to obtain reasonable assurance about whether the financial statements as a whole do not contain material inaccuracies, whether due to fraud or error, and to issue the auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that the audit conducted in accordance with the International Standards on Auditing always identifies material inaccuracies, even if they exist. Inaccuracies may occur due to fraud or error and are considered material if it could be reasonably expected that they could, individually or in aggregate, influence the economic decisions of users taken on the basis of these financial statements.

(1)



During the entire course of conducting the audit we exercise professional judgement and maintain professional scepticism as part of our audit in accordance with the International Standards on Auditing. We also:

- identify and assess the risks of material inaccuracies in the financial statements, whether due to fraud or error, design and perform audit procedures to eliminate 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 inaccuracy resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or evasion of internal inspection.
- get informed about internal inspections 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 inspections.
- evaluate the appropriateness of accounting principles and methods used and the adequateness of accounting estimates and related disclosures made by the statutory body.
- conclude whether the statutory body appropriately uses the assumption of continuous operation in the accounting and on the basis of the audit evidence obtained we also assess whether a material uncertainty exists in relation to events or circumstances that could materially impair the ability of the Company to continue its operations. If we conclude that such material uncertainty exists, we are obliged to advise in the auditor's report of the related information provided in the financial statements or, if such information is not sufficient, we are obliged 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 circumstances may cause the Company to terminate its continuous operation.
- evaluate the overall presentation, structure and content of the financial statements, including the information provided therein, as well as whether the financial statements represent the performed transactions and events in a manner that results in their true presentation.

REPORT ON OTHER REQUIREMENTS OF THE LAW AND OTHER LEGAL REGULATIONS

Report on the information included in the Annual Report

The statutory body is responsible for the information included in the Annual Report prepared in accordance with the requirements of the Accounting Act. Our above opinion on the financial statements does not apply to other information in the Annual Report.

With regard to our audit of the financial statements, our responsibility is to read the information included in the Annual Report and consider whether it is in material inconsistency with the audited financial statements or knowledge obtained by us during its audit, or whether there is a different indication that it is materially incorrect.

With regard to the Company's Annual Report, we also considered whether it includes all disclosures required by the Accounting Act.

Based on the work conducted during our audit of the financial statements, we came to the conclusion that:

- the information provided in the Annual Report for the year 2022 is in accordance with the financial statements for the same year and that
- the Annual Report contains information in accordance with the Accounting Act.

(2)




Furthermore, based on our knowledge on the accounting entity and its situation, obtained by us during the audit of the financial statements, we are obliged to state whether we identified material inaccuracies in the Annual Report that we received before the date of issue of this Auditor's Report. In this regard, there are no findings to be reported.

Bratislava, 11 May 2023

D. P. F., spol. s r. o.
Černicová 6, 831 01 Bratislava
SKAU licence no. 140

Business Register of the District Court
Bratislava I, Section Sro, File no. 23006/B



Ing. Marcel Petras
Statutory Auditor
SKAU licence no. 869

FINANCIAL STATEMENTS

of a securities broker as of 31 December 2022

(in whole euros)

Tax registration number

2 1 2 0 6 0 3 3 7 5

Financial statements

Financial statements

For the period

- ordinary
 - extraordinary
 - interim

from	0	1	2	0	2	2
to	1	2	2	0	2	2

Company identification number

5 1 1 2 7 1 1 3

Preceding period year

from	0	1	2	0	2	1
to	1	2	2	0	2	1

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Attachments to the financial statements

Balance sheet (ÚČ OCP 1-04) Profit and loss statement (ÚČ OCP 2-04) Notes (ÚČ OCP 3-04)

Business name of a securities broker

W e a l t h E f f e c t M a n a g e m e n t o . c . p
 . , a . s .

Registered office of a securities broker, street and house number

B r a t i s l a v a , B o t t o v a 2 A

Business Register and file number

O k r e s n ý s ú d B r a t i s l a v a l
 o d d i e l : S a , v l o ž k a č í s l o : 6 6 5 2
 / B

ZIP CODE

8 1 1 0 9

Municipality

B r a t i s l a v a

Phone number

0 2 / 3 2 1 1 8 5 8 5

Fax number

/

Email address

Business Register and file number

Prepared on: 26. 1. 2023	Signature of the securities broker's statutory body member: Bc. Peter Štadler – Chairman of the Board
Approved on:	

Balance Sheet

for 12 months of 2022

of a securities broker who does not proceed pursuant to Section 17a par. 3 of Act No. 431/2002 Coll. on Accounting as amended

Designation	Item	Note no.	Current accounting period	Preceding accounting period
a	b	c	1	2
x	Assets		x	x
1.	Cash and cash equivalents	F.A.1	153,629	62,682
2.	Receivables to clients	F.A.2.a)	381,759	211,197
a)	from provided investment services, ancillary services and investment activities		108,447	211,197
b)	from loans provided to clients		273,312	
3.	Securities for trading			
4.	Derivatives		18,410	
5.	Securities for sale		1,426,940	
6.	Underwritten securities for distribution			
7.	Receivables to banks			
a)	from reverse repo trades			
b)	other current			
c)	non-current			
8.	Loans and			
a)	reverse repo trades			
b)	other current			
c)	non-current			
9.	Shares in registered capital of subsidiary accounting entities and affiliated accounting entities			
a)	in accounting entities from the financial sector			
b)	other accounting entities			
10.	Purchase of tangible and intangible assets			
11.	Intangible assets		3,532	7,389
12.	Tangible assets		17,710	17,520
a)	non-depreciated			
a).1.	lands			
a).2.	other			
b)	depreciated		17,710	17,520
b).1.	buildings			
b).2.	other		17,710	17,520
13.	Tax receivables		9,288	3,491
14.	Other assets		737	491
	Assets total		2,012,005	302,771

Designation	Item	Note no.	Current accounting period	Preceding accounting period
a	b	c	1	2
x	Equity and liabilities		x	x
I.	Liabilities (total of items 1 to 9)		1,714,081	93,428
1.	Liabilities to banks due on demand			
2.	Liabilities to clients		1,590,000	
3.	Other liabilities to banks			
a)	from repo trades			
b)	other current			
c)	non-current			
4.	Liabilities from securities sold short from repo trades			
5.	Derivatives		7,555	
6.	Liabilities from loans and from repo trades			
a)	from repo trades			
b)	other current			
c)	non-current			
7.	Other liabilities	F.B.2	81,614	56,154
8.	Subordinated financial liabilities			
9.	Tax liabilities		34,912	37,274
a)	Income tax payable		20,818	10,865
b)	VAT		13,481	26,054
c)	Deferred tax liability			
d)	Payroll tax		613	355
II.	Equity (total of items 10 to 16)		297,924	209,343
10.	Registered capital, of which		125,000	125,000
a)	underwritten registered capital		125,000	125,000
b)	receivables to shareholders (x)			
11.	Share premium x/(x)			
12.	Funds from valuation differences x/(x)			
a)	from valuation of securities for sale x/(x)			
b)	other x/(x)			
13.	Funds created from profit after tax		19,112	12,500
a)	statutory reserve fund		19,112	12,500
b)	reserve fund for own shares			
c)	other reserve funds			
14.	Retained earnings or accumulated losses from previous years x/(x)		65,230	18,310
15.	Profit or loss in approval process x/(x)			
16.	Profit or loss for the accounting period x/(x)		88,582	53,533
	Equity and liabilities		2,012,005	302,771

Profit and Loss Statement

in euros for 12 months of 2022

of a securities broker who does not proceed pursuant to Section 17a par. 3 of Act No. 431/2002 Coll. on Accounting as amended

Designation	Item	Note no.	Current accounting period	Preceding accounting period
a	b	c	1	2
1.	Income from fees and commissions	F.1.	570,365	473,904
2.	Income from interest on loans provided as part of the provision of investment services		5,015	2,213
a.	Costs related to fees and commissions		278,553	267,825
3.b.	Net creation of provisions for liabilities from investment services, investment activities and ancillary services			
I.	Net profit or loss from the provision of investment services, ancillary activities and ancillary services		296,827	208,292
4.c.	Profit/loss from operations with securities			
5.d.	Profit or loss from derivatives		3,410	
6.e.	Profit/loss from operations with foreign exchange and with assets and liabilities denominated in foreign currency			
7.f.	Profit/loss from interest on investment instruments			
II.	Trading profit or loss		3,410	
8.	Income from interest and similar income		42,085	
9.	Revenue from registered capital deposits			
10.g.	Profit/loss from the sale of other assets and from the transfer of assets			
11./h.	Profit/loss from net reversal of devaluation/devaluation of assets and from depreciated assets			
12.	Revenue from the cancellation of provisions for other liabilities			
13	Other operating income		45	18
i.	personnel costs	F.i.	74,978	74,931
i.1.	wage and social costs		74,978	74,931
i.2.	other personnel costs			
j.	Costs of creating provisions for other liabilities		7,431	
k.	Depreciation		10,487	7,607
k.1.	depreciation of tangible assets		6,630	3,750
k.2.	depreciation of intangible assets		3,857	3,857
l	devaluation of assets			
l.1.	devaluation of tangible assets			
l.2.	devaluation of intangible assets			
m	Other operating costs	F.m.	130,131	55,046
n	Financing costs		7,586	3,837
n.1.	Interest expenses and similar expenses			
n.2.	taxes and fees	F.n.2.	7,586	3,837
14./o.	Share on profit or loss in subsidiary accounting entities and affiliated accounting entities			

Označenie	Položka	Číslo poznámky	Bežné účetvne obdobie	Predchádzajúce účetvne obdobie
A.	Profit or loss for the accounting period before tax		111,754	66,889
p.	Income tax		23,172	13,356
p.1.	income tax payable		28,968	10,865
p.2.	income tax deferred		(5,796)	2,491
B.	Profit or loss for the accounting period after tax		88,582	53,533

Notes

to the ordinary financial statements prepared as of 31 December 2022 (in whole euros)

A. GENERAL INFORMATION ON SECURITIES BROKER

1. Basic information on the company:

Business name:	Wealth Effect Management o.c.p., a. s.
Registered office:	Bottova 2A, 811 09 Bratislava, registered with: Companies Register held at District Court Bratislava I., section: Sa, insert no. 6652/B
Company Identification No.:	51 127 113
Tax ID:	2120603375
VAT ID:	SK2120603375
Phone No.:	+421 2 321 185 85
E-mail:	frontoffice@wem.sk
Web:	www.wem.sk
Date of Registration:	20 September 2017
Legal form:	joint stock company
Registered capital:	EUR 125,000

Wealth Effect Management o.c.p., a. s. is registered with Companies Register held at the District Court Bratislava I., section: Sa, insert no. 6652/B. The company provides investment and additional services upon the Decision of Národná banka Slovenska (National Bank of Slovakia), financial market supervision department, file no.: NBS1-000-007-562 to č.z. (reg.no.): 100-000-051-478 dated 21 July 2017 that entered into force on 17 August 2017.

Scope of the company's activities pursuant to permit by the National Bank of Slovakia:

1. receipt and forwarding client's order regarding one or more financial instruments in relation to the following financial instruments:
 - a) convertible securities,
 - b) money market instruments,
 - c) securities or shares of collective investment entities,
 - d) options, swaps, forwards and other derivatives related to securities, currencies, interest rates or yields or other derivative instruments, financial indices or financial rates that can be settled by delivery or in cash,
2. execution of client's order on their account in relation to the following financial instruments:
 - a) convertible securities,
 - b) money market instruments,
 - c) securities or shares of collective investment entities,

- d) options, swaps, forwards and other derivatives related to securities, currencies, interest rates or yields or other derivative instruments, financial indices or financial rates that can be settled by delivery or in cash,
3. portfolio management in relation to the following financial instruments:
- a) convertible securities,
 - b) money market instruments,
 - c) securities or shares of collective investment entities,
 - d) options, swaps, forwards and other derivatives related to securities, currencies, interest rates or yields or other derivative instruments, financial indices or financial rates that can be settled by delivery or in cash,
4. investment consulting in relation to the following financial instruments:
- a) convertible securities,
 - b) money market instruments,
 - c) securities or shares of collective investment entities,
 - d) options, swaps, forwards and other derivatives related to securities, currencies, interest rates or yields or other derivative instruments, financial indices or financial rates that can be settled by delivery or in cash,
5. allocation of financial instruments without a fixed obligation in relation to the following financial instruments:
- a) convertible securities,
 - b) money market instruments,
 - c) securities or shares of collective investment entities,
 - d) options, swaps, forwards and other derivatives related to securities, currencies, interest rates or yields or other derivative instruments, financial indices or financial rates that can be settled by delivery or in cash,
6. custody and management of financial instruments on the client's account, including custody administration, and related services, especially funds management and financial pledges in relation to the following financial instruments:
- a) convertible securities,
 - b) money market instruments,
 - c) securities or shares of collective investment entities,
 - d) options, swaps, forwards and other derivatives related to securities, currencies, interest rates or yields or other derivative instruments, financial indices or financial rates that can be settled by delivery or in cash,
7. consulting services in the field of capital structure and business strategy as well as provision of consulting and services regarding merge, fusion, transformation or division of a company or purchase of an enterprise,
8. execution of trades with foreign exchange values, as far as these are related to the provision of investment services,
9. performance of an investment survey and financial analysis or other form of general recommendation related to trades with financial instruments.

Cross-border operation:

In 2022, the company was authorized to provide investment services, investment activities and ancillary services in Bulgaria and in the Czech Republic, based on the right to freely provide services outside the territory of the Slovak Republic without establishing a branch in EU member countries.

In 2022, the company provided cross-border services in Bulgaria.

Shareholder structure:

Serial no.	Shareholder name	Value in EUR Current period	% share on registered capital Current period	% share on voting rights Current period
1.	Bc. Peter Štadler	106,250	85	85
	a) number of shares	850		
	b) nominal value of shares	125		
2.	Ing. Michal Kováč	6,250	5	5
	a) number of shares	50		
	b) nominal value of shares	125		
3.	Mgr. Matej Bašťovanský	6,250	5	5
	a) number of shares	50		
	b) nominal value of shares	125		
4.	Ing. Norbert Gálik	3,125	2.5	2.5
	a) number of shares	25		
	b) nominal value of shares	125		
5.	Eva Jahelka Filipp	3,125	2.5	2.5
	a) number of shares	25		
	b) nominal value of shares	125		

Company bodies:

Statutory body

Bc. Peter Štadler,

Chairman of the Board of Directors, position created on: 20 September 2017

Mgr. Matej Bašťovanský,

member of the Board of Directors, position created on: 18 May 2020

Supervisory Board

Ing. Michal Kováč,

member of the Supervisory Board, position created on: 20 September 2017

Ing. Norbert Gálik,

member of the Supervisory Board, position created on: 13 December 2021

Eva Jahelka Filipp,

member of the Supervisory Board, position created on: 8 April 2020

Legal reason for the preparation of the financial statements

The company's financial statements as of 31 December 2022 are prepared as regular financial statements according to Sec. 18 of Act no. 431/2002 Coll. on Accounting, as amended (hereinafter referred to as the "Accounting Act") for the period from 1 January 2022 to 31 December 2022.

2. Business name of the direct parent accounting entity and business name of the parent accounting entity of the entire group:

The Company is not a subsidiary or parent company of any other company.

ACCOUNTING PRINCIPLES AND METHODS USED

1. Continuous operation principle

The financial statements were prepared on the basis of the assumption of continuous operation of the Company pursuant to Sec. 7 par. 4 of the Accounting Act.

2. Basic principles for the preparation of the financial statements

The company applies accounting principles and accounting methods in accordance with the Accounting Act and pursuant to the relevant regulation of the Ministry of Finance of the Slovak Republic no. 26307/2007-74 of 18 December 2007, which establishes details on the arrangement and designation of financial statements items, the content definition of these items and the scope of data specified from the financial statements for publication, on the framework chart of accounts and accounting procedures for securities brokers and branches of foreign securities brokers and on the amendment and supplementation of certain regulations as amended.

The company keeps accounts based on the accrual principle, which expresses the chronological and material relationship of costs and revenues with the relevant accounting period. Bookkeeping is conducted in monetary units of the Slovak currency, i.e. in euros.

3. Use of new accounting principles and new accounting methods

During the 2022 accounting period, there was no change in the accounting principles and accounting methods used by the company.

4. Method of valuation of individual assets and liabilities by the company

During the accounting period, the company valued individual components of assets and liabilities as follows:

- cash, valuables, receivables and liabilities are valued at a nominal value in EUR when they arise,
- cash, valuables, receivables and liabilities in foreign currencies are converted to the functional currency at the reference exchange rate determined and announced by the European Central Bank (ECB) on the date preceding the accounting item date, then they are recalculated at the exchange rate determined and announced by the ECB as of the financial statements date.

5. Determination of the accounting item date

When accounting for securities trading, the accounting item date is the day of execution (agreement) of the trade. The company accounts for the client assets entrusted to the securities broker as part of the provision of investment services by a double entry on the off-balance sheet accounts of the account group 98.

6. Procedures for depreciation of tangible assets or intangible assets.

The company depreciates small tangible assets with a purchase price of over EUR 300 inclusive for a period of 3 years. The company owns depreciable non-current assets with the purchase price of more than EUR 1,700 inclusive. The company owns non-current intangible assets with a purchase price of more than EUR 2,400 inclusive.

7. Principles and procedures for identifying assets with reduced value

The company will, on a regular annual basis, review and identify assets with reduced value by assessing its ability to produce future economic benefits to the company in the following periods.

8. Principles and procedures for calculating the amount of adjustments and provisions.

As part of the regular inventory of assets, the company, if necessary, creates adjustments. Before 30 June 2022, the company was not creating adjustment items. Provisions are liabilities with an uncertain timing or amount. A provision is created if it is likely that there is a liability or obligation that is a result of past events, which may have an uncertain amount or maturity, while a specific creditor or authorized person do not need to be known.

CASH FLOW STATEMENT

C. Cash flow statement	Current accounting period	Preceding accounting period
Cash flow from operating activities	x	x
Income from received interest, fees and commissions (+)	570,365	473,904
Receivables on interest, fees and commissions (-)	(108,447)	(211,197)
Costs on interest, fees and commissions (-)	(278,553)	(267,825)
Liabilities for interest, fees and commissions (+)	30,413	15,628
Total of side D of financial instruments trading settlement accounts (+)		
Receivables for financial instruments sold (-)		
Total of side D of analytical accounts of the initial record of financial instruments accounts (-)		
Liabilities for the payment of the financial instrument purchase price		
Income from depreciated receivables (+)		
Costs on employees and suppliers (-)	(253,830)	(154,795)
Liabilities to employees and suppliers (+)	93,668	77,800
Increase/decrease in operating assets (-/+)	6,042	(8,736)
Change in current loans to clients (+/-) on analytical accounts of an initial recording		
Increase/decrease in operating liabilities (+/-)	30,653	33,693
Increase/decrease in client deposits (+/-)		
Increase/decrease in liabilities to suppliers (+/-)	113,889	(28,760)
Other current liabilities +/-		
Net cash flow from operating activities before tax	204,200	(70,288)
Income tax paid	(20,818)	(10,865)
Net cash flow from operating activities	183,382	(81,153)
Cash flow from investment activity	x	x
Change in non-current assets (-/+)	(3,667)	13,417
Liabilities from the acquisition of non-current assets (+)		
Income from the sale and liquidation of non-current assets (+)		
Receivables from the sale and liquidation of non-current assets (-)		
Dividend income (+)		
Dividend receivables (-)		
Income from interest received from deposits and loans (+)	5,015	2,213
Receivables from interest on deposits and loans (-)		
Income from the sale of financial instruments held for sale (+)		
Purchase of financial instruments held for sale (-)		
Decrease/increase in granted loans and deposits (+/-)	(273,312)	
Net cash flow from investment activities	(271,964)	15,630
Cash flow from financial activity	x	x
Increase/decrease in equity (+/-)	88,582	53,533
Increase/decrease in received non-current loans and financial lease(+/-)		
Interest costs from non-current loans and finance lease (-)		
Liabilities for interest from non-current loans and finance lease (+)		
Dividends paid		
Net cash flow from financial activities	88,582	53,533
Effect of changes in exchange rates on cash in foreign currency		
Net increase/decrease in cash and cash equivalents	90,947	(11,990)
Cash and cash equivalents at the beginning of the accounting period	62,682	74,672
Cash and cash equivalents at the end of the accounting period	153,629	62,682

STATEMENT OF CHANGES IN EQUITY

Current accounting period

Items	Share capital	Reserve funds	Valuation funds	Retained earnings	Total
b	1	2	3	4	5
Balance as of the first day of the accounting period	125,000	12,500		71,842	209,342
Changes in accounting policy					
Adjusted balance as of the first day of the accounting period	125,000	12,500		71,842	209,342
Valuation differences from valuation of securities for sale					
Other valuation differences					
Tax charged on equity items					
Change in net equity excluding profit for the current accounting period		6,612		65,230	71,842
Profit or loss for the current accounting period				88,582	88,582
Total change in net equity					
Profit distribution					
Increase/decrease in share capital					
Balance as of the last day of the current accounting period	125,000	19,112		153,812	297,924

Preceding accounting period

Items	Share capital	Reserve funds	Valuation funds	Retained earnings	Total
b	1	2	3	4	5
Balance as of the last day of the preceding accounting period	125,000	12,500		18,310	155,810
Changes in accounting policy					
Adjusted balance as of the last day of the preceding accounting period	125,000	12,500		18,310	155,810
Valuation differences from valuation of securities for sale					
Other valuation differences					
Tax charged on equity items					
Change in net equity excluding profit for the current accounting period					
Profit or loss for the current accounting period				53,533	53,533
Total change in net equity					
Profit distribution					
Increase/decrease in share capital					
Balance as of the last day of the current accounting period	125,000	12,500		71,843	209,343

OVERVIEW OF CLIENT ASSETS

Designation	Item	Current accounting period	Preceding accounting period
a	b	1	2
	Client assets		
	Client funds	1,789,609	1,181,207
	Client securities	74,134	
	Other client financial instruments		
	Client portfolio	28,538,070	24,391,311
	Client receivables to the market		
	Client assets total	30,401,813	25,572,518
	Liabilities to clients from entrusted assets		
	Liabilities from client funds	1,789,609	1,181,207
	Liabilities from client securities	74,134	
	Liabilities from client portfolios	28,538,070	24,391,311
	Liabilities from management and custody of client securities		
	Client liabilities to the market		
	Liabilities from custody of client securities		
	Liabilities to clients from entrusted assets total	30,401,813	25,572,518

NOTES TO BALANCE SHEET ITEMS AND PROFIT AND LOSS STATEMENT ITEMS

Balance sheet

Assets

Line no.	1. EUR Cash and cash equivalents	Current accounting period	Preceding accounting period
1.	Cash and cash equivalents in cash register	260	209
2.	Current accounts	26,362	62,473
3.	Granted loans due on demand and within 24 hours and deposits due within 24 hours		
4.	Receivables for funds within spot operations		
5.	Money market securities with an agreed maturity period of up to three months		
x	Subtotal – balance sheet		
6.	Credit lines for immediate drawing of funds		
7.	Broker account – Interactive brokers	127,007	
	Total	153,629	62,682

Line no.	1. CZK Cash and cash equivalents	Current accounting period	Preceding accounting period
1.	Cash in cash register		
2.	Current accounts		
3.	Granted loans due on demand and within 24 hours and deposits due within 24 hours		
4.	Receivables for funds within spot operations		
5.	Money market securities with an agreed maturity period of up to three months		
x	Subtotal – balance sheet		
6.	Credit lines for immediate drawing of funds		
	Total		

Line no.	1. USD Cash and cash equivalents	Current accounting period	Preceding accounting period
1.	Cash in cash register		
2.	Current accounts		
3.	Granted loans due on demand and within 24 hours and deposits due within 24 hours		
4.	Receivables for funds within spot operations		
5.	Money market securities with an agreed maturity period of up to three months		
x	Subtotal – balance sheet		
6.	Credit lines for immediate drawing of funds		
	Total		

Line no.	2.a). Receivables to clients from services provided	Current accounting period	Preceding accounting period
1.	Investment services	108,447	211,197
2.	Ancillary services		
3.	Total	108,447	211,197

Line no.	5. Securities for sale	Current accounting period	Preceding accounting period
1.	Shares		
1.1.	unpledged		
1.2.	pledged in repo trades		
1.3.	pledged		
2.	Share certificates		
2.1.	unpledged		
2.2.	pledged in repo trades		
2.3.	pledged		
3.	Current bonds, such as treasury bills		
3.1.	unpledged		
3.2.	pledged in repo trades		
3.3.	pledged		
4.	Bonds		
4.1.	unpledged	1,426,940	
4.2.	pledged in repo trades		
4.3.	pledged		
5.	Bills of exchange		
5.1.	unpledged		
5.2.	pledged in repo trades		
5.3.	pledged		
	Total	1,426,940	

Equity and liabilities

1. Liabilities from loans and repo trades	Balance sheet line	Current accounting period	Preceding accounting period
Liabilities from loans to allow trade execution for clients to purchase financial instruments	I. 6.		
Liabilities from loans received current	I. 6.		
Total			

2. Other liabilities	Balance sheet line	Current accounting period	Preceding accounting period
Liabilities to suppliers	I. 7.	64,264	40,710
Settlement with employees from the employment relationship	I. 7.	4,624	3,918
Liabilities to the Social Insurance Agency	I. 7.	2,040	1,460
Liabilities to health insurance companies	I. 7.	825	591
Short-term provisions for unused vacations including social and health insurance	I. 7.	2,611	3,034
Provision for an audit	I. 7.	2,900	2,900
Provision for bookkeeping	I.	1,920	
Other liabilities	I. 7.	2,430	3,541
Total		81,614	56,154

3. Subordinated financial liabilities in EUR	Balance sheet line	Current accounting period	Preceding accounting period
Subordinated debt - principal	8		
Subordinated debt - interest	8		
Total			

Profit and loss statement

Revenues

Line no.	1. Revenue from fees and commissions	Current accounting period	Preceding accounting period
1.	Revenue from fees and commissions	570,365	473,904
2.	from investment services	570,365	473,904
3.	from ancillary investment services	0	0

Line no.	8. Interest income and similar income	Current accounting period	Preceding accounting period
1.	Current receivables and loans	5,015	2,213
2.	Current securities	6,488	
3.	Non-current loans		
4.	Non-current securities	35,597	
5.	Financial lease		
	Total	47,100	2,213

Line no.	13. Other operating income	Current accounting period	Preceding accounting period
1.	UPSVaR (COVID19) subsidy	0	0
	Total	0	0

Costs

Line no.	2. Costs related to fees and commissions	Current accounting period	Preceding accounting period
1.	Market fee		
2.	Investment intermediation	(254,410)	(254,546)
3.	Other costs	(24,143)	(13,279)
	Total	(278,553)	(267,825)

Line no.	i. Personnel costs	Current accounting period	Preceding accounting period
1.	Basic wages	(53,478)	(53,499)
2.	Variable wage component		
3.	Insurance – social and health	(18,706)	(18,681)
4.	Catering	(2,496)	(2,465)
5.	Health care		
6.	Social fund	(298)	(286)
7.	Other personnel costs		
	Total	(74,978)	(74,931)

Line no.	m. Other operating costs	Current accounting period	Preceding accounting period
1.	Reimbursement to the auditor		(2,900)
2.	Maintenance of real estate and equipment		
3.	IT services	(8,829)	(12,338)
4.	Other services	(90,480)	(34,472)
5.	Bookkeeping services	(13,481)	
6.	Rent including utilities	(10,648)	(5,328)
7.	Representation costs	(1,860)	
8.	Material purchased	(4,833)	(8)
9.	Value added tax		
	Total	(130,131)	(55,046)

Line no.	n.1. Interest costs and similar costs	Current accounting period	Preceding accounting period
1.	Current liabilities and received loans		
2.	Issued current securities		
3.	Received non-current loans – subordinated financial liabilities		
4.	Issued non-current securities		
5.	Financial lease		
6.	Bank fees		
	Total		

Line no.	n.2. Taxes and fees	Current accounting period	Preceding accounting period
1.	Value added tax		
2.	Excise duties		
3.	Property taxes		
4.	Local taxes and fees		
5.	Other taxes and fees	(7,586)	(3,837)
6.	Court fees and other fees		
	Total	(7,586)	(3,837)

OTHER NOTES

Information on relationships with related entities

Line no.	a). Shares of related entities on registered capital of the securities broker and its subsidiaries and affiliated accounting entities	Current accounting period	Preceding accounting period
1.	Shares on registered capital of the securities broker		
2.	Shares on registered capital of subsidiary accounting entities		
3.	Shares on registered capital of affiliated accounting entities		

Line no.	b). Financial relationships with affiliated persons	Current accounting period	Preceding accounting period
1.	Current receivables	0	0
2.	Non-current receivables		
3.	Current loans	273,312	
3.	Current trade receivables	35,962	(16,791)
4.	Non-current liabilities		

Line no.	Related entity	Transaction type	Amount in EUR
1.	Wealth Effect Management a.s.	a.	184,429
2.	Wealth Effect Management a.s.	b.	47,869
3.	Wealth Effect Management a.s.	e.	35,962
4.	Wealth Effect Management a.s.	g.	273,312

- a. Volume of received investment services
- b. Volume of received other services
- c. Volume of provided investment services
- d. Balance of receivables
- e. Balance of liabilities
- f. Subordinated debt
- g. Current loans

1. Information on events that occurred between the date of the financial statements and the date of preparation of the financial statements.

In relation to the war conflict in Ukraine, the Company's management performed an analysis of the possible effects and consequences on the Company and came to the conclusion that they currently do not have significant adverse effects on the Company (except from rising input prices, especially of fuel, energy, materials, goods and services). The Company's management does not expect a significant threat to the assumption of continuous operation in the near future.

2. Corrections of errors of past accounting periods that have such a significant impact on the financial statements of one or more preceding accounting periods that these financial statements would not present a true and fair view of the subject of the securities broker's bookkeeping; in this case, the impact of these changes on equity as of the date of the financial statements is stated.

No records.

3. Proposal for distribution of profit or settlement of loss of the current accounting period.

No records.

4. Average number of employees in the accounting period, number of members of statutory bodies, management bodies, supervisory bodies or other bodies.

Average number of employees as of 31 December 2022	4 employees
Number of Board of Directors members	2 members
Number of Supervisory Board members	3 members

5. Costs or revenues that have an impact on the income tax due for the preceding accounting period.

The company does not record costs or revenues that would affect the income tax due for the preceding accounting period.

6. Information on employee benefits, on the basis of which employees are entitled to financial instruments issued by a securities broker tied to equity or according to which the amount of the securities broker's obligations to employees depends on the future price of financial instruments, for example, shares or share options issued by the securities broker.

Employees of the company were not provided such employee benefits by the company.

7. Earnings per share.

The company achieved a profit after tax.

8. Information on risks.

The company makes every effort to ensure the best possible result in the provision of investment services, including by preventing possible losses arising from various risks to which the company is or may be exposed in the provision of investment services.

The basic objective of risk management is to identify, measure and limit the extent of possible risks in order to limit losses from unexpected events and thus ensure uninterrupted activity and the provision of investment services for the company's clients.

For the purpose of managing individual risks, before introducing new types of products, providing investment services or ancillary services, and new types of trades with financial instruments, the company considers the following:

- definition of individual risks;
- definition of the possible origination of new, yet not undertaken risks by the company;
- assess the overall impact on the acceptable level of individual risks;
- assess the options for mitigating the risks undertaken;
- inform responsible employees about the risk undertaken in relation to new types of products, provision of investment services or ancillary services, and new types of trades with financial instruments;
- adjust the internal regulations accordingly.

For the purposes of measuring individual risks and the adequacy of individual risks, the company applies two basic measurement methods, namely severity measurement and frequency measurement. In relation to risk measurement, the company also evaluates the method of risk detection.

Definition of risks undertaken

The following classification of risks is not to be understood as exhaustive, while the company has considered the impact on the company's business activity for each risk assessed. The identification of individual risks the company is exposed to and the determination of their significance is based on a comprehensive assessment of the existing and potential risk characteristics of individual trades, products, activities, processes, company systems, estimated financial status of the company and an assessment of the external environment.

● Credit risk

The credit risk of the contractual party represents a moment of uncertainty accompanying the company's business activity, specifically the risk of loss resulting from the fact that the contractual party will not fulfil its contractual obligations on time and to the full, agreed and expected extent. The strategy of managing and mitigating the credit risk of a contractual party consists mainly in assessing and duly considering the credit quality of a contractual party even before entering into a business relationship, taking into account previous experience with the contractual party, trade volume, the duration of the contractual relationship and in the continuous monitoring of the fulfilment of the contractual party's obligations for the entire duration of the contractual relationship. The definition of limits is also part of the credit risk management system of the contracting party.

● Market risk

Market risk arises from an unfavourable and unexpected change in the market value of a financial instrument, recorded mainly in the company's non-trading book, due to unexpected market conditions. The main factors in the origination of market risk are economic and market events that adversely and unexpectedly affect the market value of a financial instrument, such as, for example, changes in interest rates, exchange rates, general market liquidity, unfavourable market data. The market risk management system also includes the selection and use of correct procedures to determine the correct estimate of the future development of market risk factors. Indirectly, the company is also exposed to market risk in trades that are not recorded in the non-trading book, in the provision of investment services and ancillary services to the company's clients. Since the company is engaged in the provision of investment services, but in particular portfolio management, it is obliged, in terms of professional care, to identify, measure and manage market risks to which it is exposed in relation to the provision of investment services and ancillary services.

● Operational risk

Operational risk is the risk of loss to the company or managed portfolios resulting from inadequate or incorrect internal procedures, human factor and systems failure, or caused by external events, while also including legal risk.

The diversity policy in relation to the selection of members of the management body, its objectives and any relevant operational objectives stipulated in the policy, and the extent to which these objectives have been met.

The policy of selection and evaluation of members of the management body, applied by the company, determines specific requirements for the process of selection and evaluation of members of the management body. Each candidate or evaluated member of the management body must meet criteria of a personal nature, such as good reputation, professional knowledge and experience, as well as criteria of an objective nature, such as management skills, overall composition of the management body, collective knowledge and experience of the management body, diversity of the management body, time commitment and potential conflicts of interest. Company policy in the area of diversity of the management body is in accordance with the relevant legislation.

Internal capital adequacy assessment system

Pursuant to Sec. 74c of the Securities Act, a securities broker is obliged to implement proper, effective and complete measures, strategies and procedures for continuous assessment and maintenance of the amount, types and distribution of internal capital and liquid assets that it considers adequate to cover the nature and level of risks, which the securities broker may represent to other entities or to which the securities broker may be exposed to.

The internal capital adequacy assessment system is based on the needs of the company, taking into account the risks undertaken.

Due to the fact that the company has a smaller scope of activity, it can use simpler risk identification and measurements. In this regard, the company took into account facts that have a direct impact on the amount of risk, which is not high due to the scope and complexity of the activities performed, such as the total volume of trades and a smaller number of clients. Also due to the company's orientation on retail clients, while the company does not plan to provide services to a group of interconnected entities or to a small number of substantial clients, whose possible termination of using the company's services would threaten its activity.

The company is obliged to always abide to the following equity requirements, which apply to the fully quantifiable, uniform and standardized elements of each relevant risk, pursuant to Art. 9 par. 1 of the REGULATION (EU) NO. 2033/2019 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL:

$$\frac{\text{Equity Tier 1}}{D} \geq 56\%$$

$$\frac{\text{Equity Tier 1 + additional capital Tier 1}}{D} \geq 75\%$$

$$\frac{\text{Equity Tier 1 + additional capital Tier 1 + capital Tier 2}}{D} \geq 100\%$$

However, the company currently meets the requirements stipulated in Art. 57 par. 3 and 4 of the REGULATION (EU) NO. 2033/2019 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL.”

The calculation of the equity amount and the calculation of the fulfilment of the equity requirements in relation to risk management is conducted by the company always no later than on the 25th day of the month following the month, for which the calculation is made.

The company’s Board of Directors is informed immediately about a possible exceeding of the minimum equity requirements.

9. Accounting entity costs towards auditors for the accounting period.

Line no.	Accounting entity costs towards auditors for the accounting period	Current accounting period	Preceding accounting period
1.	Verification of the financial statements	(2,900)	(2,900)
2.	Assurance audit services		
3.	Related audit services		
4.	Tax advisory		
5.	Other audit services		
	Total	(2,900)	(2,900)