

**Kongresové centrum Praha, a.s. (Prague Congress Centre)  
ANNUAL REPORT 2003**

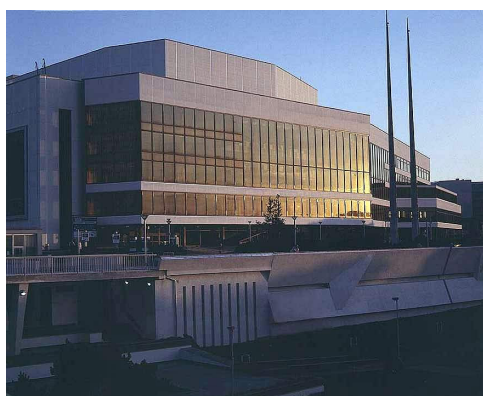
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**Name and seat of the company**

Kongresové centrum Praha, a.s.  
5. května 65  
140 21 Prague 4  
Identification number: 63 08 02 49

A joint-stock company Kongresové centrum Praha was established and entered the Commercial Register on 1 July 1995. The foundation of the company was carried out by a single founder, the Capital City Prague, which put all property of the former allowance organization called Palác kultury into the newly-established joint-stock company. Furthermore, on the day of its founding the joint-stock company Kongresové centrum Praha took over all the rights and obligations of Palác kultury and thus became its legal successor in title.



**Line of business**

- arrangement of congresses, symposiums, trade fairs, exhibitions and further similar social events
- arrangement of art and culture events
- purchase of goods with the purpose of its further sale, and sale
- real property lease including a range of basic lease-related services
- operation of car park and garages
- operation of a non-governmental medical facility – general practitioner, practical dental surgeon
- the hotel trade activities
- accommodation services
- photocopier centre's services
- organising various culture events, operating entertainment facilities
- lease of movables
- exchange office services
- intermediary activities

**Registered capital and shares**

The registered capital of the company amounts to CZK 7.138.000.000,-. It is divided in registered shares in the following way

|  |                   |
|--|-------------------|
| 70 units of registered shares in nominal value | 100.000.000,- CZK |
| 2 units of registered shares in nominal value  | 50.000.000,- CZK  |
| 37 units of registered shares in nominal value | 1.000.000,- CZK   |
| 10 units of registered shares in nominal value | 100.000,- CZK     |

## General director's introduction

*Dear visitors, business friends and shareholders,*

*like every year 2003 suggested once more the viability of Kongresové centrum Praha, a. s. (KCP). The organisation of prestige events became a matter of course a long time ago. This is in particular due to the hard work of the employees of Kongresové centrum. At the same we have also started to gradually "harvest the fruit" produced by the international events that had taken place at our premises – the Annual Meeting of the International Monetary Fund and the Group of the World Bank in 2000 and the NATO Summit in 2002. In the course of these two most prestigious events our work was most highly appreciated by both their organisers and participants. The Czech Republic and its capital were able to become twice the centre of world events thanks to Kongresové centrum Praha, a. s – the only institution of its kind in this country with an appropriate capacity to cater for more than 1500 congress participants having the corresponding facilities.*

*Also in 2003 not only a series of medical, scientific and technological conferences but also a lot of social and culture events took place here. Thus, it was possible for Kongresové centrum to welcome such world-respected personalities as Bill Gates, many foremost scientists, doctors and artists. Out of all these prestige events in particular I would like to mention the congress concerning spinal diseases, the Teleinformatika conference, the world championship in aerobics and the performances of two world-famous artists, opera singer Eva Urbanová and pantomimer Marcel Marceau.*

*Due to its active approach KCP is able to produce such financial means that cover all its operational expenses without difficulty. After all, we already proved this ability in previous years. However, the supposition that it was capable of fully paying off the loans it was pressed to take on in relation to its refurbishing and completion of the construction works, has turned out to be mistaken. Moreover, the state which had demanded its modernisation did not directly participate in its funding although originally it meant to do (as it is common in other countries). Therefore, the board of directors of KCP, a. s. has decided to re-credit the loans allowing thus further investments and reinvestments in buildings and furnishing. In doing so and with regard to the future KCP now has the opportunity to keep the reputation of one of the most modern institutions of its kind in the world.*

*Thos who deserve credit for our success as well is the Holiday Inn Prague Congress Centre Hotel which is part of the KCP premises. In 2003 after two years of its operation the hotel received a significant evaluation of its quality: the certificate of quality ISO 9001 from the Association for Certification of Systems of Quality. Holiday Inn PCC has ranked among first ten certified companies in the field of the hotel trade, gastronomy and travel in the Czech Republic and it has become the first hotel of the international chain that has acquired this certificate.*

*I am also convinced that thanks to Kongresové centrum among others the capital city Prague will not get lost in Europe. What suggests this is the growing interest in our services after the entrance of the Czech Republic in the European Union. Even now the tax revenue existing (for the Czech Republic and consequently for Prague) can be quantified roughly at about 400 million crowns every year owing to significant congresses taking place in KCP. I believe that this contribution of Kongresové centrum Praha, a. s., to Czech economy will be rapidly enhanced in the years to come.*

**Ing. František Dušek**

Prague Congress Centre's General Director

## Economic results

### Balance Sheet

| <i>data in thousands of CZK</i>   | YEAR 2001        | YEAR 2002        | YEAR 2003        |
|---|------------------|------------------|------------------|
| <b>ASSETS IN TOTAL</b>  | <b>9 255 313</b> | <b>8 922 321</b> | <b>8 570 944</b> |
| <b>Receivables for subscribed owned capital</b>   |                  |                  |                  |
| <b>Long-term property</b>   | <b>8 953 155</b> | <b>8 725 752</b> | <b>8 360 342</b> |
| Long-term intangible property   | 10 368           | 8 468            | 6 737            |
| Long-term tangible property   | 8 942 787        | 8 717 284        | 8 353 605        |
| Long-term financial property  |                  |                  |                  |
| out of this: shares, securities and shares held in companies exercising significant influence |                  |                  |                  |
| <b>Floating assets</b>  | <b>298 857</b>   | <b>193 560</b>   | <b>207 548</b>   |
| Supplies  | 22 933           | 18 139           | 10 298           |
| Long-term receivables   | 58 170           | 49 124           | 50               |
| Short-term receivables  | 104 875          | 97 816           | 127 013          |
| Short-term financial property   | 112 879          | 28 481           | 70 187           |
| <b>Accrual and deferral</b>   | <b>3 301</b>     | <b>3 009</b>     | <b>3 054</b>     |
| <b>LIABILITIES</b>  | <b>9 255 313</b> | <b>8 922 321</b> | <b>8 570 944</b> |
| Core capital  | <b>5 815 394</b> | <b>5 150 439</b> | <b>4 917 271</b> |
| Registered capital  | 7 138 000        | 7 138 000        | 7 138 000        |
| out of this registered capital entered in the Commercial Register                             | 7 138 000        | 7 138 000        | 7 138 000        |
| Capital funds   | 5 700            | 5 700            | 5 700            |
| Reserve funds, indivisible funds and other funds on profit                                    |                  |                  |                  |
| Past economic results   | -1 188 888       | -2 146 635       | -1 993 261       |
| Economic result of current account term   | -139 418         | 153 374          | -233 168         |
| <b>External resources</b>   | <b>3 116 911</b> | <b>3 765 203</b> | <b>3 650 710</b> |
| Reserves  | 2 775            | 1 321            | 515              |
| Long-term obligations   | 2 004 179        | 2 828 146        | 2 699 483        |
| Short-term obligations  | 140 974          | 65 086           | 123 395          |
| Credit and financial aid  | 968 983          | 870 650          | 827 317          |
| out of this long-term credit  | 968 983          | 835 650          | 792 317          |
| <b>Accrual and deferral</b>   | <b>323 008</b>   | <b>6 679</b>     | <b>2 963</b>     |

### Profit and Loss Statement

| <i>data in thousands of CZK</i>  | YEAR 2001       | YEAR 2002      | YEAR 2003       |
|--|-----------------|----------------|-----------------|
| Output and sale of goods   | 436 963         | 504 728        | 519 610         |
| out of this takings on sale of own products and services   | 436 963         | 504 728        | 519 571         |
| Alterations in supplies of our own activity  |                 |                |                 |
| Activation   |                 |                | 39              |
| Output consumption and costs spent on sold goods   | 253 337         | 205 228        | 233 763         |
| <b>Added value</b>   | <b>183 626</b>  | <b>299 500</b> | <b>285 847</b>  |
| Personal costs   | 113 601         | 117 356        | 116 029         |
| Depreciation of long-term intangible and tangible property   | 220 681         | 237 791        | 249 735         |
| Alterations in supplies and adjusting items in operational area, alterations in future total costs | 4 938           | 6 512          | 4 967           |
| Other operational gains  | 109 326         | 8 050          | 42 890          |
| Other operational costs  | 20 692          | 16 944         | 128 430         |
| <b>Operational economic result</b>   | <b>-57 084</b>  | <b>-71 053</b> | <b>-170 424</b> |
| Alteration in supplies and adjusting items in financial area                                       | 17 782          | 1 080          |                 |
| Other financial gains  | 4 885           | 369 882        | 24 664          |
| Other financial costs  | 155 198         | 144 320        | 183 681         |
| Income tax for current activities  |                 | 48 784         | -83 823         |
| <b>Financial economic result including income tax for current activities</b>                       | <b>-132 531</b> | <b>177 858</b> | <b>-75 194</b>  |
| <b>Economic results of current activities</b>  | <b>-189 615</b> | <b>106 805</b> | <b>-245 618</b> |
| Extraordinary gains  | 59 009          | 48 856         | 9 976           |
| Extraordinary costs  | 8 812           | 2 287          | -2 474          |
| <b>Extraordinary economic result</b>   | <b>50 197</b>   | <b>46 569</b>  | <b>12 450</b>   |
| <b>Economic result in accounting period</b>  | <b>-139 418</b> | <b>153 374</b> | <b>-233 168</b> |

|                                     |          |          |         |
|-------------------------------------|----------|----------|---------|
| Cash flow in operational activities | 168 662  | 101 073  | 123 702 |
| Cash flow in investment activities  | -392 860 | -10 840  | 12 247  |
| Cash flow in monetary activities    | 190 823  | -174 630 | -94 242 |

|   |           |           |           |
|---|-----------|-----------|-----------|
| Obligations 180 days after maturity   | 18 852    | 20 885    | 1 385     |
| Receivables 180 days after maturity   | 18 251    | 13 574    | 15 630    |
| *TIP (accounting residual price) encumbered by the right of lien or an easement | 7 773 294 | 7 547 791 | 7 473 156 |

\*TIP = tangible investment property

## Annual report for 2003 – commentary

### a) Information concerning the past development

#### 2001

2001 was for KCP, a. s. the first complete business year regarding company's congress activities after finishing the first stage of the refurbishment and completion works of KCP's building, (Building Permit Documentation 2000). At the same time, construction works under Building Permit Documentation 2001 continued until April, when operation of the hotel Holiday Inn Prague Congress Centre was launched. On the basis of the International contract concerning management the hotel is directed by its operator Targa Hotels a. s.

In 2001 the joint-stock company proved a loss amounting to CZK 139. 418,-.

The realized loss was influenced in particular:

- in the field of costs  
by booking credit interest in the amount of CZK 153. 681 000,-; by starting to use the property originating in relation to the refurbishment and completion works of KCP's building and by starting its write-off (CZK 220.681 000,-)
- in the field of gains  
by providing a subsidy of CZK 105.000,- to help finance the refurbishment and completion works of KCP's building, by providing a subsidy to settle payments of accrued interest on coupon for 2001 of CZK 58.083 000 000,-

From the cash flow point of view during 2001 KCP, a. s. acquired a long term credit from První Městská banka equal to CZK 169,000 000,-; further on, a loan from Targa Hotels, a.s. equal to CZK 127.500 000,- and a subsidy from the budget of the Capital City Prague's Magistrate equal to CZK 311.000 000,-. A part of this subsidy equal to CZK 53.200 000,- was used to finish the payment for non-invested real property and to settle the claim of subscribed equities of KCP, a.s.

The owned capital declined by CZK 132.850 000,-, both due to the influence of economic result and due to the change in booking of difference in valuation for the acquired property (+ CZK 6.568 000,-)

#### 2002

This year can be regarded as a standard business year when the refurbishment and completion works of KCP's building were completed.

In 2002 the joint-stock company proved a positive accounting business result equal to CZK 153.374,-

The realized profit was influenced in particular:

- in the field of gains  
by booking exchange rates gains into financial gains equal to CZK 342.678 000,- (gains acquired on bonds amounting to CZK 335.500 000,-, and on the loan from Targa Hotels a.s. amounting to CZK 7.178 000,-), by booking the non-investment subsidy from the Capital City Prague's Magistrate amounting to CZK 72.239 000,- (CZK 23.917 000,- from the 04/2002 subsidy, CZK 48.322 000,- from the 04/2003 subsidy)
- in the field of costs  
write-offs of the long-term tangible and intangible property amounting to CZK 237.791 000,- and by credit interest amounting to CZK 140.272 000,-

From the cash flow point of view in 2002 the company acquired a non-investment subsidy of CZK 82.000 000,- from the Capital City Prague's Magistrate for a partial settlement of the coupon. Furthermore, the Capital City Prague's Magistrate provided the company with a bridging loan of CZK 92.000 000,- to pay off a part of the principal (amounting to CZK 133.333 000,-) from the credit provided by Živnobanka. The amount of CZK 57.000 000,- being part of the

bridging loan was paid off based on an agreed condition that the remaining CZK 35.000 000,- will be paid off in relation to the sale of a warehousing grounds in Kunratice.

The owned capital declined by CZK 664.955 000,- both due to the influence of the economic result (+ CZK 153.374 000,-) and due to the influence of the deferred tax obligation to 2001 (- CZK 818.329 000,-)

### **2003**

The joint-stock company showed a loss of CZK 233.168 000,-.

The realized loss was influenced in particular:

- in the field of profits
  - by booking of the sale of the warehousing grounds in Kunratice - revenue of CZK 38.850 000,-; by booking of the subsidy for the accrued settlement of bond coupon amounting to CZK 21.678 000,-, the total acquired subsidy from the Capital City Prague's Magistrate was CZK 70.000 000,-
- in the field of costs
  - by booking of the sale of the warehousing grounds in Kunratice - residual accounting value of CZK 137.026 000,-
  - by booking of the deferred tax (when tax write-offs not applied) equal to CZK 83.823 000,-
  - by booking of the exchange-rate loss from issued bonds amounting to CZK 44.275 000,-
  - write-offs of tangible and intangible property equal to CZK 249.735 000,-
  - credit interest equal to CZK 129.451 000,-

From the cash flow point of view in 2003 the company received a non-investment subsidy equal to CZK 70.000 000,- from the Capital City Prague's Magistrate for a partial settlement of the coupon and it received credit from PMB (První městská banka) equal to CZK 90.000 000,- to pay off a part of the principal on credit provided by Živnobanka.

The owned capital has declined due to the influence of the economic result by CZK 233.168 000,-

#### **b) Information concerning events taking place after balance sheet day**

In the period between the balance sheet day and the compilation of the annual financial statement the remaining principal of CZK 35.000 000,- on the loan from the Capital City Prague's Magistrate was settled (after receiving the payment for the sale of Kunratice).

In April 2004 the bond coupon equal to CZK 103.600 000,- was settled

#### **c) Information concerning the anticipated development**

##### **2004**

What further remains as the main encumbrance of company's economy is the service of debt which originated in relation to the refurbishment and completion of construction works of premises hosting the conventions of the World Bank and International Monetary Fund. In 2004 this situation should according to valid contracts encumber the cash flow as follows:

|   |                   |
|---|-------------------|
| settlement of the bond coupon                       | CZK 103.600 000,- |
| instalment of the principal to Živnobanka           | CZK 133.333 000,- |
| instalments of the principal to Targa Hotels, a. s. | CZK 20.400 000,-  |
| instalments of other credit interest                | CZK 25.111 000,-  |

Even in this situation the company expects that with its activities it will be able to fully cover the operational costs, the minimal level of investments necessary to provide fault-free and safe running, the settlement of all interest as well as the settlement of a part of the principals from loans reaching over CZK 80 mil. However, the overall need of financial means to settle the principals on credits is higher than CZK 150 mil. In the past, this difference was solved by the means of non-investment subsidies acquired from the budget of the Capital City Prague. Since 2004 the new board of directors of the company have decided not to require resources from the budget of the Capital City Prague any more and to search for a solution within the company. In relation to this it has been preparing and already putting into effect a series of precautions concerning a rise in company efficiency, operating costs savings and further exploitation of the premises, which should result in the ability of KCP, a. s. to fully cover its obligations arising from the service of debt from its own resources. The effect of these precautions, however, will be fully revealed only in 2005 and following years. This year among other KCP, a. s. will also continue in restructuring of the company in terms of pursuing a further decline in the number of employees.

The precondition underlying this strategy is the successful completion of refinancing activities, possibly the restructuring of the old credit encumbrance, leading to its spreading into several years, thus enabling new trends in the company's economy to be launched.

**d) Information about the expenses in the field of research and development**

In 2002 a contract for work was signed under the name of "Energy Audit of Kongresové centrum Praha, a.s." with the price of the work CZK 877.000,- without VAT, i. e. CZK 921.000,- incl. 5% VAT. The work was transferred and included into property in May 2003.

**e) Information concerning acquisition of company's own shares**

The registered capital of the company is CZK 7.138.000 000,- and was divided into 71.380 pieces of registered shares, each of which had the nominal value of CZK 100.000,-

On the basis of the decision of a single shareholder at the annual general meeting of the company Kongresové centrum Praha, a.s. in agreement with the resolution of the Capital City Prague's Council in 2002 the company's articles were altered and the registered capital amounting to CZK 7.138.000 000,- is now divided in the following way:

|                                       |                   |
|---------------------------------------|-------------------|
| 70 registered shares in nominal value | CZK 100.000.000,- |
| 2 registered shares in nominal value  | CZK 50.000.000,-  |
| 37 registered shares in nominal value | CZK 1.000.000,-   |
| 10 registered shares in nominal value | CZK 100.000,-     |

The shares of the company are in the form of registered shares and are issued as bills. The shares are not publicly negotiable.

**f) Information within the extent of the annual financial statement**

The information regarding the accounting periods in years 2000, 2001 and 2002 is contained in appendices in the final part of the Annual report for 2002.

The information regarding the accounting period in 2003 to be found in the Annual report for 2003.

**g) Information required by special regulations**

KCP, a. s., is not required to submit any other information by any special regulations.

**h) Information concerning a branch office situated abroad**

KCP, a. s. does not have any branch offices abroad.

## **Auditor's report**

on accounting, annual financial statement and economic situation

**undertaken at**

**Kongresové centrum Praha, a.s.**

in 2003

This report have been compiled as subject to law number 254/2000 Coll. concerning auditors.

The examined company:

Kongresové centrum Praha, a.s.  
with its seat: 5. května 65, 140 09 Prague 4  
Identification number: 63 08 02 49

Authorised representative: board of directors

Head of the board of directors: Ing. Jan Bürgermeister

Auditor:

ECO-ECONOMIC & COMMERCIAL OFFICE, s.r.o.

Compiled on: 5 May 2004

Based on the signed contract ECO-ECONOMIC & COMMERCIAL OFFICE, s.r.o. has undertaken an examination of book-keeping, annual financial statement and economic situation in Kongresové centrum Praha, a.s. company with its seat in Prague, 5. května 65. The audit has been undertaken and the report compiled according to law number 254/2000 Coll. concerning auditors as well as according to auditing instructions issued by the Chamber of Auditors of the Czech Republic. The audit has been undertaken by means of deliberate focus on some areas (such as accepted suppliers' operational and investment invoices, issued purchasers' invoices, cash documents and internal company documents which verify accounting in the area of long-term property and wages) and by means of a random verification of other accounting documents such as bank statements, internal company documents relating to booking of supplies and other documents.

The auditor proceeded in compliance with auditors' instructions in such a way in order to collect all information which is, to the best of his/her knowledge, necessary for the verification of annual financial statement and which guarantee that the annual financial statement does not contain any significant inaccuracies, caused by mistake or by any other way.

The system of rules governing the accounting and business management have been verified in compliance with the valid general principles of law as follows:

Law number 563/1991 Coll. concerning accounting

Law number 586/1992 Coll. concerning income tax as amended

Law number 588/1992 Coll. concerning value added tax

Regulation number 500/2002 Coll. which governs selected provisions related to the accounting law concerning entrepreneurs

Provisions issued by the Ministry of Finance reference number 281/89 759/2001 which specifies the chart of accounts and proceedings in the bookkeeping for entrepreneurs

### **1. Characteristics of the company**

Kongresové centrum Praha, a.s. is a joint-stock company established on 1 July 1995 by a sole founder which is the Capital City Prague. The capital stock was paid in the form of a non-cash deposit based on expert opinion on assessed property and obligations which were transferred onto the Capital City Prague by means of cancelling an allowance organisation. The value of the capital stock amounted to CZK 7.138.000 000 on 31 December 2003. The company has been registered in the commercial register at Municipal Court in Prague, part B, insert 3275. The auditor has been presented a valid extract from the Commercial Register.

In 2003 the joint-stock company administered its property with the result of a loss equal to CZK 233.168 000,-. The accounting loss amounted to CZK 316.991 000,- prior to taxation and the booked deferred tax amounted to CZK -83.823 000,- in 2003. The loss in its accumulated amount equalled CZK 1.993.261

000,- on 31 December 2003 and this was the economic result of past years. Out of this amount the actual loss covering the past period of time equalled to CZK 1.174.932 000,-. The booked deferred obligation covering the period of time until the end of 2001 year amounted to CZK 818.329,-. The auditor has verified the agreement of the stated accounting economic result after taxation in line 60, column 1 of the Profit and Loss Statement and in line 083, column 5 of the Balance to the date of 31 December 2003.

The audit was carried out in the period of time between May 2003 and March 2004. The auditor verified information proving data stated in the annual financial statement as of 31 December 2003 including annual financial statement operations in 2003 concerning booking in the area of provisional assets and liabilities accounts. Also the auditor considered significant decisions made by the managing body of the company which were reflected in the annual financial statement, particularly in relation to the calculation and booking of the deferred income tax for 2003 as well as in relation to booking of interest of issued bonds and the Capital City Prague's Magistrate's subsidy assigned to cover this interest.

The company is responsible for its accounting, namely its completeness, conclusive evidence and correctness. The processing of the entire accounting register is provided by the company. In 2003 software accounting programmes dealing with congress activities and hotel trade activities of the company were united. Apart from this software accounting programme, there is an independent software programme to register the long-term property used as well as another self-contained software programme to register and process documents related to hotel services such as accommodation, catering and other services provided as parts of company's hotel trade activities. All the programmes comply with the respective provisions of the Accounting Law and other related regulations governing the processing of accounting data.

The company was represented by Ing. Zdeněk Novák, financial director, Ing. Helene Hurtová, head of accounting department and Ing. Eva Špalová, project manager. The accounting documents, reports and statements and further details were provided by Ing. Hurtová and other employees of company's economic department including its hotel section. Documents related to other monitored activities were supplied by experts responsible for individual areas. In case further details were requested, these were supplied without any problems. The verified accounting unit co-operated most willingly with the auditor.

## **2. Line of business:**

Operation of car park and garage services  
Arrangement of congresses, symposiums, trade fairs, exhibitions and further similar events  
Arrangement of art and culture events  
Real property lease including a range of basic lease-related services  
Running a non-governmental medical facility (involving particular fields only)  
The hotel trade activities  
Purchase of goods with the purpose of its further sale, and sale

## **3. The scope of verification**

3.1. The auditor has verified the final accounting of 2003 year and compilation of the annual financial statement covering the period of time prior to 31 December 2003. The annual financial statement has been compiled in compliance with the law number 563/1991 Coll. concerning accounting as well as Regulation number 500/2002 Coll. and Provision issued by the Ministry of Finance reference number 281/89 759/2001 which which specifies the chart of accounts and proceedings in the bookkeeping for entrepreneurs.

3.2. Final statements of balance accounts and the statement of economic result as valid on 31 December 2002 were transferred during a permit procedure on 1 January 2003 to the respective initial conditions of statements of balance accounts and the statement of economic result as valid on 1 January 2003. During the verification process no discrepancy was found. The initial state of balance accounts agree with the initial state of the individual analytic accounts of the main accounting book of the company as in 2003. The auditor thus verified the continuity of company's bookkeeping.

3.3. Accounting records, the state of records in the main accounting book concerning analytic as well as synthetic division and keeping records in the journal have been verified. The main book is subject to the provisions of § 13, clause 2 of the law concerning accounting. The company enters its accounting in the journal as assigned by the provisions of § 13, clause 1, letter a) of the accounting law. The company's accounting have been undertaken in agreement with provisions of §11 and 12. The accounting have been carried out in the form of records made in the course of the accounting period and the accounting documents contain all essential elements as assigned by § 11, clause 1 of the law concerning accounting.

3.4. The auditor has verified the agreement of the accounting data concerning the business activities and the data included in the accounting statement as stated in Profit and loss statement in line 60, column 1 and in Balance sheet in line 083, column 5.

3.5. The auditor has carried out a selective examination of accounting in the area of accepted supplier's operational and store invoices, suppliers' invoices concerning long-term property, cash documents, issued purchasers' invoices, internal company documents proving registration of accounting documents in the area of long-term property, its classification, write-off and checking-off. Further on it focused on company's internal documents proving registration of accounting documents related to supplies. The same procedure applied to company's internal documents proving booking related to wage costs as well as social and health insurance. Other types of accounting documents such as statement accounts or other internal documents have been examined by random choice.

#### **4. Ascertained facts**

4.1. The annual financial statement, carried out by the company to the date of 31 December 2003 is regarded as a continuation of the main accounting book and exists in compliance with the provisions of the law number 563/1991 Coll. concerning accounting.

4.2. Evaluation and write-off of the long-term property is in agreement with the proceedings governing bookkeeping for entrepreneurs. The long-term property is evaluated according to its acquisition price which apart from the actual value of the long-term property include further costs related to its purchase as well. The classification of new items of long-term property and its writing-off is being carried out on the base of classification statement regarding the delivery of the long-term property into use, and write-off statements alike. The accounting write-off of the long-term property is being carried out in agreement with a write-off plan of the company.

4.3. Pricing of purchased supplies is based on its real acquisition value. As far as booking of supplies is concerned the A-accounting method is in use, apart from the accounting related to the hotel activities where selected types of material are included in the accounting related to consumption.

4.4. In compliance with the provisions of § 29 and 30 of the Law number 563/1991 Coll. concerning accounting the company has undertaken a stock-taking of its property and commitments. The stock-taking was ordered by general director of the company. The long-term property stock-taking is recorded in stock-taking lists, approved by the respective stock-taking committees. Stock-taking differences have been duly booked prior to the annual financial statement deadline for 2003. The stock-taking check of registration of documents related to receivables, obligations and other sections of company's assets and liabilities, including items registered in off balance sheet accounts registration, is documented by lists of individual unsettled items. The stock-taking of financial means present at bank accounts is documented by individual final statement accounts for year 2003. Also the stock-taking of financial means present at company's cash register has been undertaken in accordance with the accounting law.

4.5. During the examination of original documents (i.e. suppliers' and purchasers' invoices, cash documents and other company's internal documents) and during the analysis of the balance of individual balance sheet accounts there have been found no cases which would contravene accounting procedures and which would in a severe way influence the company's economic result or financial situation. During the audit numerous methodical areas were consulted with the employees of company's economic department concerning individual accounting cases and their inclusion into respective cost accounts in accounting category number 5 named Costs. At the same time an assessment of the accounting registration of some items of receivables and obligations and their inclusion into accounts in accounting category number 3 named Settlement relations has been carried out. Furthermore, some methodical advice have been discussed concerning accounting procedures and company's internal administration in relation to Regulation number 500/2002 Coll. governing some provisions of the accounting law relating to entrepreneurs.

4.6. The auditor has verified relations of the examined company to its sole founder, the Capital City Prague. In 2003 the founder provided the company a subsidy to partially settle interest on the issued bonds. This subsidy was provided on the basis of the resolution of the Capital City Prague's Council. When entering the subsidy into its accounting registration the company has followed the rules governing the accounting law relating to entrepreneurs.

4.7. In 2003 warehousing grounds in Kunratice were sold including land, buildings and movable property. The auditor has as well verified company's proceedings while registering a write-off of long-term property and accepted sale takings. The auditor has verified company's procedures while setting the tax and accounting residual price of individual items considering documents compiled as a base for income tax statement relating to corporate body in 2003.

4.8. The auditor has verified contractual relations of the company in relation to suppliers on the one hand, namely with contracts governing current operational situations such as rents, repairs, maintenance, energy supplies etc. This included the long-term property acquisition as well. On the other hand the auditor also focused on purchasers, namely lease contracts in which the company hold the part of lessor. There has been found no cases of either uneconomic handling or inefficient use of company's property. The issued purchasers' invoices in the above stated cases as well as in other invoices were in agreement with contractual conditions and other general obligatory legal regulations.

4.9. The company acted in agreement with the accounting law and with proceedings governing accounting related to entrepreneurs while registering financial means in foreign currencies (with items such as cash in hand, bank accounts, receivables and obligations). The exchange rate issued by the Czech National Bank the previous day is used for conversions. The data included in the annual financial statement of 2003 in the area of foreign currencies were converted using the exchange rate of the Czech National Bank as of 31 December 2003. With regard to interannual weakening of Czech crown exchange rate against Euro there

occurred cost exchange rate differences in the issued bonds amounting to CZK 44.275 000,-. This figure had a negative impact on the 2003 company's economic result.

4.10. The auditor has verified company's proceedings when calculating and registering the deferred income tax for 2003. In agreement with the due rules the company has undertaken a recalculation of the situation from the end of 2002 to a new corporate body income tax rate valid for 2004 and at the same time it has carried out a calculation of the real difference of deferred tax for 2003. The recalculation of the corporate body income tax rate from 31% for deferred tax in 2002 onto 28% for deferred tax in 2003 has manifested itself by improving the economic result of the company by the amount of CZK 83.914 000,-. While calculating the amount of deferred tax as well as compiling tax return for corporate body income tax to be paid for 2003 year the company made use of the legal provision governing income tax and has not applied tax write-off of long-term property with the exception of write-offs of the sold warehousing grounds in Kunratice.

## **5. Conclusion**

Based on the audit which has been undertaken the auditing company found that the accounting of the examined company was kept in compliance with the valid general principles of law and of accounting. Similarly, there have been found no facts implying that the accounting of the company includes any obligations or receivables which would not be documented to their full extent.

**The report is to be presented to the corporate authority of the company and it reports on basic facts ascertained during the audit performed at Kongresové centrum Praha, a.s. in 2003.**

This report was consulted with the company's general director Ing. Dušek and company's financial director Ing. Novák.

Auditing office: ECO-ECONOMIC & COMMERCIAL OFFICE, s.r.o.  
Certification by the Chamber of Auditors number 0187

The auditor in charge: Ing. Vladimír Pech  
Certification by the Chamber of Auditors number 0339

The report has been produced in three printed copies. Two copies have been handed over to the examined company, one copy has been filed by the auditing company.

## **Appendices**

- 1. Profit and Loss Statement as of 31 December 2003**
- 2. Balance sheet as of 31 December 2003**
- 3. Appendix to annual financial statement as of 31 December 2003**

### **Auditor's opinion**

We have verified the annual financial statement of the company Kongresové centrum Praha, a.s. as of 31 December 2003 in compliance with the law number 254/2000 Coll. concerning auditors and auditing instructions issued by the Chamber of Auditors of the Czech Republic. The audit has included verification of data proving facts given by the annual financial statement and accounting methods used during its compilation.

The management of the company is responsible for compilation of the annual financial statement and keeping the accounting to be complete, probative and correct. Our responsibility is to express our view on the annual financial statement as it is based on previous examination having been carried out in accordance with the above mentioned law and auditing instructions.

During the verification of the annual financial statement we have not found any facts which would imply that the accounting records which were taken as a basis for compiling the annual financial statement are not complete, probative and correct in all significant contexts.

In our opinion the annual financial statement describes the actual property, obligations, economic result and financial situation of the company Kongresové centrum Praha, a.s. in the real condition as of 31 December 2003. The economic results of its business activities comply with the law number 563/1991 Coll. governing accounting and with respective provisions.

In Tábor on 5 May 2004

### **Auditor's Opinion: without reservation**

Auditing office: ECO-ECONOMIC & COMMERCIAL OFFICE, s.r.o.  
Certification by the Chamber of Auditors number 0187

The auditor in charge: Ing. Vladimír Pech  
Certification by the Chamber of Auditors number 0339

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the respective Tax Office

Úč PDD 2-01

accounting unit's name and  
address

**Profit and loss statement**  
to the date 31 December 2003  
(in whole thousands of CZK)

Prague Congress Centre  
5. května 65  
Prague 4  
140 21

Line nr. 01, IKF 803095, Year 2003, Month 12, identification number 63080249

| description<br>a | TEXT<br>b  | line<br>c | situation in accounting period |               |
|------------------|--|-----------|--------------------------------|---------------|
|                  |  |           | verified<br>1                  | previous<br>2 |
| I.               | Takings for sold goods   | 01        | 59 335                         | 48 496        |
| A.               | Costs spent on sold goods  | 02        | 14 779                         | 11 111        |
| +                | Mark-up (I. 01-02)   | 03        | 44 556                         | 37 385        |
| II.              | Performance (I. 05+06+07)  | 04        | 460 275                        | 456 232       |
| II.1.            | Takings for own sold goods and services                                  | 05        | 460 236                        | 456 232       |
| II.3.            | Activation   | 07        | 39                             | 0             |
| B.               | Output consumption (I. 09+10))   | 08        | 218 984                        | 194 117       |
| B.1.             | Material and energy consumption  | 09        | 70 407                         | 62 944        |
| B.2.             | Services   | 10        | 148 577                        | 131 173       |
| +                | Added value (I. 03+04-08)  | 11        | 285 847                        | 299 500       |
| C.               | Personal costs (I. 13-16)  | 12        | 116 029                        | 117 356       |
| C.1.             | Wage costs   | 13        | 84 178                         | 85 337        |
| C.2.             | Bonuses for management members   | 14        | 1787                           | 1800          |
| C.3.             | Costs spent on social and health insurance                               | 15        | 28 994                         | 29 273        |
| C.4.             | Social costs   | 16        | 1070                           | 946           |
| D.               | Tax and fees   | 17        | 869                            | 805           |
| E.               | Depreciation of long-term intangible and tangible property               | 18        | 249 735                        | 237 791       |
| III.             | Takings for sold long-term property and material (I. 20+21)              | 19        | 39 208                         | 470           |
| III.1.           | Takings for sold long-term property                                      | 20        | 38 970                         | 69            |
| III.2.           | Takings for sold material  | 21        | 238                            | 401           |
| F.               | Residual price of sold long-term property and material (I. 23+24)        | 22        | 119 082                        | 1 886         |
| F.1.             | Residual price of sold long-term property                                | 23        | 118 938                        | 521           |
| F.2.             | Material sold  | 24        | 144                            | 1 365         |
| G.               | Alteration in supplies and adjusting items in operational area and total | 25        | 4 967                          | 6 512         |

|       |  |    |          |         |
|-------|--|----|----------|---------|
|       | costs in the future  |    |          |         |
| IV.   | Other operational gains  | 26 | 3 682    | 7 580   |
| H.    | Other operational costs  | 27 | 8 880    | 15 086  |
| I.    | Transfer of operational costs  | 29 | -401     | -833    |
| *     | Operational economic result (l. 11-12-17-18+19-22+/-25+26-27+(-28)-(-29))        | 30 | -170 424 | -71 053 |
| M.    | Alteration in supplies and adjusting items in financial area                     | 41 | 0        | 1 080   |
| X.    | Gain interest  | 42 | 735      | 1 693   |
| N.    | Cost interest  | 43 | 129 451  | 140 272 |
| XI.   | Other financial gains  | 44 | 23 929   | 368 189 |
| O.    | Other financial costs  | 45 | 54 230   | 4 048   |
| *     | Financial economic result (l. 31-32+33+37-38+39-40+/-41+42-43+44-45+(-46)-(-47)) | 48 | -159 017 | 226 642 |
| Q.    | Income tax for current activities (l. 50+51)                                     | 49 | -83 823  | 48 784  |
| Q.2.  | - deferred   | 51 | -83 823  | 48 784  |
| **    | Economic result of current activities (l. 30+48-49)                              | 52 | -245 618 | 106 805 |
| XIII. | Extraordinary gains  | 53 | 9 976    | 48 856  |
| R.    | Extraordinary costs  | 54 | -2 474   | 2 287   |
| *     | Extraordinary economic result (l. 53-54-55)                                      | 58 | 12 450   | 46 569  |
| ***   | Economic result of accounting period (+/-) (l. 52+58-59)                         | 60 | -233 168 | 153 374 |

| Sent on      | Signature of corporate authority or individual which is regarded as an accounting unit | Person in charge of accounting (name and signature) | Person in charge of annual financial statement |
|--------------|--|---|--|
| 26. 04. 2004 |  | Ing. Zdeněk Novák                                   | Ing. Helena Hurtová                            |
|              |  |   | phone number<br>261172550                      |

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the respective Tax Office

Balance Úč PDD 1-01

accounting unit's name and  
address

**Balance sheet**  
in its full extent  
to the date 31 December 2003  
(in whole thousands of CZK)

Prague Congress Centre  
5. května 65  
Prague 4  
140 21

Line nr. 01, IKF 801095, Year 2003, Month 12, Identification number 63080249

| descr.<br>a | TEXT<br>b  | line<br>c | current accounting period |                 |           | Previous<br>accounting<br>period<br>net<br>4 |
|-------------|--|-----------|---------------------------|-----------------|-----------|--|
|             |  |           | gross<br>1                | correction<br>2 | net<br>3  |  |
|             | ASSETS IN TOTAL<br>(l. 02+03+31+62)                              | 001       | 10 400 348                | -1 829 404      | 8 570 944 | 8 922 321                                    |
| B.          | Long-term property (l.<br>04+13+23)                              | 003       | 10 171 745                | -1 811 403      | 8 360 342 | 8 725 752                                    |
| B.1.        | Long-term intangible property                                    | 004       | 694 062                   | -687 325        | 6 737     | 8 468  |
| 2.          | Intangible results of research<br>and development                | 006       | 877                       | -73             | 804       | 0  |
| 3.          | Software   | 007       | 11 932                    | -6 540          | 5 392     | 6 564  |
| 4.          | Assessable rights  | 008       | 222                       | -178            | 44        | 90   |
| 5.          | Goodwill   | 009       | 680 000                   | -680 000        | 0         | 0  |
| 6.          | Other long-term intangible<br>property                           | 010       | 929                       | -534            | 395       | 612  |
| 7.          | Unfinished long-term intangible<br>property                      | 011       | 102                       | 0               | 102       | 421  |
| 8.          | Deposits provided for long-term<br>intangible property           | 012       | 0                         | 0               | 0         | 781  |
| B.II.       | Long-term tangible property (l.<br>14-22)                        | 013       | 9 477 683                 | -1 124 078      | 8 353 605 | 8 717 284                                    |
| B.II.1.     | Land   | 014       | 909 806                   | 0               | 909 806   | 992 498                                      |
| 2.          | Buildings  | 015       | 7 634 907                 | -869 974        | 6 764 933 | 6 969 468                                    |
| 3.          | Individual movable property<br>and groups of movable<br>property | 016       | 867 511                   | -252 790        | 614 721   | 677 895                                      |
| 6.          | Other long-term tangible<br>property                             | 019       | 53 599                    | 0               | 53 599    | 65 288                                       |
| 7.          | Unfinished long-term tangible<br>property                        | 020       | 3 389                     | 0               | 3 389     | 4 490  |
| 8.          | Deposits provided for long-term<br>tangible property             | 021       | 1 903                     | 0               | 1 903     | 1 953  |
| 9.          | Difference in valuation for<br>acquired property                 | 022       | 6 568                     | -1 314          | 5 254     | 5 692  |
| C.          | Floating assets (l. 32+39+)                                      | 031       | 225 549                   | -18 001         | 207 548   | 193 560                                      |

|          |   |     |         |         |         |        |
|----------|---|-----|---------|---------|---------|--------|
|          | 47+ 57)                                   |     |         |         |         |        |
| C.1.     | Supplies (l. 33-38)                       | 032 | 10 298  | 0       | 10 298  | 18 139 |
| C.I.1.   | Material                                  | 033 | 8 186   | 0       | 8 186   | 16 354 |
| 5.       | Goods                                     | 037 | 2 095   | 0       | 2 095   | 1 784  |
| 6.       | Deposits provided for supplies            | 038 | 17      | 0       | 17      | 1      |
| C.II.    | Long-term receivables (l. 40-46)          | 039 | 50      | 0       | 50      | 49 124 |
| C.II.1.  | Receivables related to business relations | 040 | 50      | 0       | 50      | 49     |
| 5.       | Accrued active expenses                   | 044 | 0       | 0       | 0       | 49 075 |
| C.III.   | Short-term receivables (l. 48-56)         | 047 | 145 014 | -18 001 | 127 013 | 97 816 |
| C.III.1. | Receivables related to business relations | 048 | 94 839  | -18 001 | 76 838  | 55 543 |
| 5.       | Social security and health insurance      | 052 | 0       | 0       | 0       | 113    |
| 6.       | State-tax receivables                     | 053 | 372     | 0       | 372     | 369    |
| 7.       | Other deposits provided                   | 054 | 1 332   | 0       | 1 332   | 1 613  |
| 8.       | Accrued active expenses                   | 055 | 633     | 0       | 633     | 0      |
| 9.       | Other receivables                         | 056 | 47 838  | 0       | 47 838  | 40 178 |
| C.IV.    | Short-term financial property (l. 58-61)  | 057 | 70 187  | 0       | 70 187  | 28 481 |
| C.IV.1   | Money                                     | 058 | 750     | 0       | 750     | 1 040  |
| 2.       | Bank accounts                             | 059 | 69 437  | 0       | 69 437  | 27 441 |
| D.I.     | Accrual and deferral (l. 63-65)           | 062 | 3 054   | 0       | 3 054   | 3 009  |
| D.I.1.   | Future costs                              | 063 | 2 131   | 0       | 2 131   | 2 082  |
| 2.       | Future total costs                        | 064 | 900     | 0       | 900     | 900    |
| 3.       | Future income                             | 065 | 23      | 0       | 23      | 27     |

| descr.<br>a | LIABILITIES<br>b                    | line<br>c |  |  | Current<br>accounting<br>period | Previous<br>accounting<br>period |
|-------------|-------------------------------------|-----------|--|--|---------------------------------|----------------------------------|
|             |                                     |           |  |  | Net<br>5                        | Net<br>6                         |
|             | LIABILITIES IN TOTAL (l. 67+84+117) | 066       |  |  | 8 570 944                       | 8 922 321                        |
| A.          | Owned capital (l. 68+72+77+80+83)   | 067       |  |  | 4 917 271                       | 5 150 439                        |
| A.I.        | Registered capital (l. 69-71)       | 068       |  |  | 7 138 000                       | 7 138 000                        |
| A.I.1.      | Registered capital                  | 069       |  |  | 7 138 000                       | 7 138 000                        |

|         |  |     |  |  |            |            |
|---------|--|-----|--|--|------------|------------|
| A.II.   | Capital funds (l. 73-76)                                     | 072 |  |  | 5 700      | 5 700      |
| 2.      | Other capital funds  | 074 |  |  | 5 700      | 5 700      |
| A.IV.   | Result of business activities of past years (l. 81+82)       | 080 |  |  | -1 993 261 | -2 146 635 |
| A.IV.2. | Unsettled loss of past years                                 | 082 |  |  | -1 993 261 | -2 146 635 |
| A.V.    | Economic result of current accounting period /+ -/           | 083 |  |  | -233 168   | 153 374    |
| B.      | External resources (l. 85+90+101+113)                        | 084 |  |  | 3 650 710  | 3 765 203  |
| B.I.    | Reserves (l. 86-89)  | 085 |  |  | 515        | 1 321      |
| 4.      | Other reserves   | 089 |  |  | 515        | 1 321      |
| B.II.   | Long-term obligations (l. 91-100)                            | 090 |  |  | 2 699 483  | 2 828 146  |
| 5.      | Accepted long-term deposits                                  | 095 |  |  | 715        | 552        |
| 6.      | Issued bonds   | 096 |  |  | 1 782 275  | 1 738 000  |
| 8.      | Accrued passive expenses                                     | 098 |  |  | 0          | 77 754     |
| 9.      | Other obligations  | 099 |  |  | 133 203    | 144 727    |
| 10.     | Deferred tax obligation                                      | 100 |  |  | 783 290    | 867 113    |
| B.III.  | Short-term obligations (l. 102-112)                          | 101 |  |  | 123 395    | 65 086     |
| BIII.1. | Obligations relating to business relations                   | 102 |  |  | 9 087      | 42 397     |
| 5.      | Obligations towards employees                                | 106 |  |  | 6 916      | 8 295      |
| 6.      | Obligations relating to social security and health insurance | 107 |  |  | 3 177      | 3 317      |
| 7.      | State-tax obligations and subsidies                          | 108 |  |  | 1 439      | 1 212      |
| 8.      | Short-term accepted deposits                                 | 109 |  |  | 23 172     | 9 837      |
| 10.     | Accrued passive expenses                                     | 111 |  |  | 79 570     | 0          |
| 11.     | Other obligations  | 112 |  |  | 34         | 28         |
| B.IV.   | Bank credit and financial aid (l. 114-116)                   | 113 |  |  | 827 317    | 870 650    |
| B.IV.1. | Long-term bank credit  | 114 |  |  | 792 317    | 835 650    |
| 2.      | Short-term bank credit                                       | 115 |  |  | 35 000     | 35 000     |
| C.I.    | Accrual and deferral (l. 118+119)                            | 117 |  |  | 2 963      | 6 679      |
| C.I.1.  | Future costs   | 118 |  |  | 543        | 2 679      |
| 2.      | Future gains   | 119 |  |  | 2 420      | 4 000      |

|              |  |   |  |
|--------------|--|---|--|
| Sent on      | Signature of corporate authority or individual which is regarded as an accounting unit | Person in charge of accounting (name and signature) | Person in charge of annual financial statement |
| 26. 04. 2004 |  | Ing. Zdeněk Novák                                   | Ing. Helena Hurtová                            |
|              |  |   | phone number<br>261172550                      |

## Cash flow overview SITUATION IN 2003

|    |  |   |        |
|----|--|---|--------|
| P. | Situation in financial means and financial equivalents at beginning of accounting period | 1 | 28 481 |
|----|--|---|--------|

### Main business activities cash flow in (operational activities)

|        |  |    |          |
|--------|--|----|----------|
| Z.     | Accounting profit or loss from current activities prior taxation (not including items number 591 to 596)   | 2  | -245 617 |
| A.1.   | Alterations and non-cash operations  | 3  | 445 155  |
| A.1.1. | Write-offs of fixed assets 2)(+) excluding residual price of fixed assets sold, write-off of receivables 3) (+), redeeming of the adjusting item in acquired property 4) (+/-)   | 4  | 246 375  |
| A.1.2. | Alteration of adjusting items 5), reserves and alterations in balance of temporary assets and liabilities accounts (+/-), i.e. accrual and deferral of costs and gains and exchange rates differences, excluding:<br>- accrual of interest<br>- active and passive exchange rates relating to obligations in foreign currencies and by authority of acquisition of investment property | 5  | -9 903   |
| A.1.3. | Profit (loss) in fixed assets sale (+/-) including differences in valuation of capital interest in business (booked into gains "-", into costs "+")  | 6  | 79 967   |
| A.1.4. | Gains in dividends and profit shares excluding companies whose purpose of their business activities is investment activity (investment companies and funds) (-)  | 7  | 0        |
| A.1.5. | booked cost interest (+) excluding capitalised interest and booked yield interest (-)  | 8  | 128 716  |
| A.*    | Operational activities net cash flow prior to taxation, alterations of working capital and extraordinary items   | 9  | 199 538  |
| A.2.   | Alterations in working capital needs 6)  | 10 | 40 431   |
| A.2.1. | Alterations in receivables in operational activities (+/-)   | 11 | 27 438   |
| A.2.2. | Alteration in short-term obligations in operational activities (+/-)   | 12 | 5 151    |
| A.2.3. | Alterations in amount of supplies (+/-)  | 13 | 7 842    |
| A. **  | Operational activities net cash flow prior taxation and extraordinary items  |    | 239 969  |
| A.3.   | Costs in interest payments excluding capitalised interest (-)  | 14 | -129 451 |
| A.4.   | Accepted interest excluding companies whose purpose of their business activities is investment activity (investment companies and funds) (+)   | 15 | 735      |
| A.5.   | Income tax paid for current activities and tax assessed additionally for past period of time (-)   | 16 | 0        |
| A.6.   | Income and expenditures related to extraordinary accounting cases which form an extraordinary economic result including settled payable income tax for extraordinary activities  | 17 | 12 449   |
| A. *** | Operational activities net cash flow   | 18 | 123 702  |

### Investment activities cash flow

|       |  |    |         |
|-------|--|----|---------|
| B.1.  | Expenditures related to acquisition of fixed assets 7) | 19 | -26 724 |
| B.2.  | Income gained from sale of fixed assets                | 20 | 38 970  |
| B.3.  | Loans and interest to related persons                  |    |         |
| B.*** | Net cash flow gained from investment activities        | 21 | 12 247  |

### Financial activities cash flow

|        |   |    |         |
|--------|---|----|---------|
| C.1.   | Alterations in long-term obligations, poss. short-term obligations 8)   | 22 | -94 242 |
| C.2.   | Effects of owned capital alterations on financial means   | 23 | 0       |
| C.2.1. | Increase in financial means and financial equivalents by the authority of an increase of capital assets, poss. reserve funds including deposits assigned for this increase (+)  | 24 | 0       |
| C.2.2. | Paying out shares on own capital to business associates (-)   | 25 | 0       |
| C.2.3. | Financial gifts and subsidies into own capital and other investments by business associates and shareholders (+)  | 26 | 0       |
| C.2.4. | Settling loss by associates (+)   | 27 | 0       |
| C.2.5. | Direct payments at the expense of funds (-)   | 28 | 0       |
| C.2.6. | Dividends paid out or shares on profit including settled withholding tax related to these receivables, including financial settlement with business associates of unlimited liability company and related to general partner of limited partnership companies (-) |    | 0       |
| C.3.   | Dividends accepted and shares on profit excluding companies whose purpose of their business activities is investment activity (investment companies and funds) (+)  | 29 | 0       |
| C.***  | Net financial activities cash flow  | 30 | -94 242 |
| F.     | Net increase/decrease in financial means  | 31 | 41 706  |
| R.     | Condition of financial means and financial equivalents at end of period 9)  | 32 | 70 187  |

## **ANNUAL FINANCIAL STATEMENT 2003 - APPENDIX**

in the extent of Regulation no. 500/2002 Coll. as of 6 November 2002 (in whole thousands of CZK)

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### **1) General information**

Business name: **Kongresové centrum Praha,a.s.**  
Registered office: 5.května 65  
Prague 4  
140 21

Identification number: 630 80 249  
legal form: joint-stock company

Line of business:

- arrangement of congresses, symposiums, trade fairs, exhibitions and further similar social events
- arrangement of art and culture events
- real property lease including a range of lease-related services
- catering services
- operation of car park and garages
- purchase of goods with the purpose of its further sale, and sale
- operation of a non-governmental medical facility institution
- accommodation services
- exchange office services
- photocopier centre's services
- organising various culture events, operating entertainment facilities
- operation of health and sports facilities
- lease and lending of movables
- intermediary services

Date of origin: 1 July 1995  
Shareholders of the registered capital: 100 % share of Capital City Prague

### **Corporate and Supervisory bodies as of 31 December 2003**

Name list of the members of the board of directors as of 31 December 2003:

**Ing.Jan Bürgermeister**

chairman of the board of directors of KCP, a. s.

**Ivan Bednář**

deputy chairman of the board of directors of KCP,a.s

**Jan Štrof**

deputy chairman of the board of directors of KCP,a.s

**Mgr.Ondřej Dolínek**

member of the board of directors of KCP, a. s.

**Ing.František Dušek**

member of the board of directors of KCP, a. s.

**Ing.Miroslav Froněk**

member of the board of directors of KCP, a. s.

**JUDr.František Hoffman**

member of the board of directors of KCP, a. s.

**Ing.Ivana Romanovská**

member of the board of directors of KCP, a. s.

**Ing.František Stádník**

member of the board of directors of KCP, a. s.

Name list of the members of the supervisory board as of 31 December 2003:

**Ing.Jiří Paroubek**

chairman of the supervisory board of KCP, a. s.

**Michal Gregor**

deputy chairman of the supervisory board of KCP, a. s.

**Vratislav Bartoš**

member of the supervisory board of KCP, a. s.

**Mgr.Eva Bohutínská**

member of the supervisory board of KCP, a. s.

**Ing.Marie Filipová**

member of the supervisory board of KCP, a. s.

**Mgr.Martin Kroh**

member of the supervisory board of KCP, a. s.

**Bc.Ondřej Pecha**

member of the supervisory board of KCP, a. s.

**Jan Slezák**

member of the supervisory board of KCP, a. s.

**Doc.Ing.Jiří Volf,CSc.**

member of the supervisory board of KCP, a. s.

## 2) Organisational structure of the company

With the completion of the refurbishing works conditions for the foundation of a new independent business branch "HOTEL" were created (its operation launched on 17 April 2001)

On the basis of the International contract concerning management as of 11 April 2001, Targa Hotels, a. s , with its seat at Thunovská 18,118 00 Prague 1, became the managing body of the HOTEL branch on behalf of KCP, a. s.

Hotel's seat : Holiday Inn Prague Congress Centre

Na Pankráci 15/1684

140 21 Praha 4

In the previous accounting period, there were no significant changes in the organisational structure of the company made.

The joint-stock company is headed by its general director with the following subordinates: commercial director, technical director, financial director, audit and legal services manager and the business branch "HOTEL" - with he general director appointed by the company Targa Hotels, a. s. at its head.

### 3) Staff Costs

|   | 2003    | 2002    |
|---|---------|---------|
| Average calculated number of staff present during the accounting period         | 315     | 351     |
| senior managers only:   | 35      | 35      |
| staff costs spent on the staff:   | 116 029 | 117 356 |
| senior managers only:   | 24 562  | 23 365  |
| Bonuses provided to the members of the board of directors and supervisory board | 1 787   | 1 800   |

### 4) Other benefits

include the free of charge car use by the general director available to both business and personal purposes. The taxation is subject to the provisions of the Law number 586/1992 Coll. in the current version.

No loans or credit have been provided to the members of the statutory, supervisory and executive authorities.

Other benefits concerning services provided by the accounting unit and payments of contributory pension scheme have not been provided.

### 5) Further information

a) Information concerning accounting approaches, general accounting principles, pricing and write-off used.

The accounting unit follows the respective provisions of the law number 563/1991 Coll. concerning accounting as amended as well as the regulation number 500/2002 Coll. and the provisions for those accounting units using the system of double-entry book-keeping.

The pricing of purchased supplies is based on purchase prices and booked using the A accounting method. Neither supplies nor long-term tangible or intangible property have been created by the accounting unit's own activity. During the accounting period no property priced by reproduction purchase price was acquired. The purchase prices of purchased supplies include the following kinds of secondary acquisition costs: transportation charges, commissions, customs duties, postage charges, packing charges and insurance charges.

The accounting unit bases its calculation of both accounting and tax write-offs on regular write-off system. Regarding the tax write-offs the accounting unit follows the Income Tax Law (§31, article 1 and 2 of the law) and as for the accounting write-offs there has not been any change when compared to the previous accounting period. In the observed accounting period no tax write-offs have been applied. The system of write-off plans for long-term property has been kept as well as the write-off systems governing the accounting write-offs.

b) During the accounting period there were no divergences from the applied accounting approaches found that would have an impact on property, obligations, financial situation or the economic results of the accounting unit.

c) Adjusting items

The adjusting items applying to receivables are of two types - statutory and accounting and they follow - the law number 593/1992 Coll. concerning reserves

- the guidelines of the financial director number 15/95 incl. appendix number 3 which, in effect from 1 January 2002, sets legal rules for creation of accounting adjusting items and adjusting items as follows:

| month | %  | month   | %   |
|-------|----|---------|-----|
| 0 – 2 | 0  | 10 – 12 | 80  |
| 3 – 6 | 20 | over 12 | 100 |
| 7 – 9 | 50 |         |     |

d) conversion of foreign currency

When converting foreign currencies into Czech currency we apply the daily rate of ČNB valid on the day of the accounting transaction (the hotel branch uses the rate of the previous day). The booking of exchange rate differences is based on current account statements using nominal method and these differences are booked into the section of financial costs and gains. The exchange-rate differences disclosed during undertaking of final accounts are booked using nominal method and for their calculation we use the exchange rate of ČNB as of 31 December 2003.

## 6) Additional information to the balance sheet and the profit and loss statement

a) the accounting unit was provided a non-investment subsidy of CZK 70.000.000,- (April 2003) for the settlement of bond interest for the period 16 April 2002 - 15 April 2003 and it was booked in the form of aliquot part, i. e. CZK 48.322.000,- into the gains for 2002 and as the amount of CZK 21.678.000,- into the profits for 2003

b) furthermore, the accounting unit was provided by PMB credit equal to CZK 90.000.000,- (July 2003) to settle a part of principal on credit provided by ŽB

c) specification of long-term bank credit:

CZK 533.334,- credit from ŽB; in the observed period the principal equal to CZK 133.333.000,- was settled

CZK 168.983,- credit from PMB

CZK 90.000,- credit from PMB

|  |           |
|--|-----------|
| d) specification of long-term obligations included in the balance sheet amounting to | 2 699 483 |
| bonds EURO 55.000.000,- (exchange rate 32,405 CZK/EURO) i.e.                         | 1 782 275 |
| one-off payment settled in April 2014 with coupon 5,73 % due in April each year      |           |
| loan from the Capital City Prague's Magistrate                                       | 32 500    |
| credit Targa Hotels, a. s.   | 98 930    |
| A.M.T. Group   | 1.773     |
| long-term accepted deposits  | 715       |
| deferred tax obligation  | 783 290   |

e) specification of reserves

The accounting unit does not have any legal reserves in the monitored period.

### Other reserves

|                                | <u>1. Jan 2003</u> | <u>31. Dec 2003</u> |
|--------------------------------|--------------------|---------------------|
| Other reserves in total        | 1 321              | 515                 |
| Reserves written-off in 2003   |                    | 1 051               |
| Newly created reserves in 2003 |                    | 245                 |

f) sale of a part of company's real property

In the observed accounting period the accounting unit sold a part of its real property – the warehousing grounds Kunratice. On entering the action in the Land Registry Office it came into force and it was possible to include the sale in company's accounting.

g) in the profit and loss statement there is included the loss of CZK 233.168.000,-

Significant items influencing the economic result are:

sale of the warehousing grounds Kunratice; CZK 38.850.000,- booked in gains and CZK 137.026.000,- booked in costs

|   |                                       |
|---|---------------------------------------|
| subsidies   | CZK 21.678.000,-                      |
| exchange-rate loss from bonds                           | CZK 44.275.000,-                      |
| exchange-rate loss from the lease provided to the hotel | CZK 2.514.000,-                       |
| re-crediting of the Targa loan into costs               | CZK 4.992.000,-                       |
| the impact of adjusting items towards receivables       | CZK 5.335.000,-                       |
| write-off of receivables                                | CZK 2.112.000,-                       |
| booking of deferred tax                                 | - CZK 83.823.000,- see appendix no.2. |

h) In the period between the balance sheet day and the day of compiling the final accounts the remaining part of the loan from budget of the Capital City Prague amounting to CZK 35.000.000,- was settled.

## 7) Additional information concerning property and obligations

### Tangible and intangible property

a) specification of long-term tangible property in thousands of CZK

| Group | Current accounting period |            |                      | Past accounting period |
|-------|---------------------------|------------|----------------------|------------------------|
|       | purchase price (gross)    | adjustment | residual price (net) |                        |
| 021   | 7 634 907                 | 869 974    | 6 764 933            | 6 969 468              |
| 022   | 867 511                   | 252 790    | 614 721              | 677 895                |
| 031   | 909 806                   | 0          | 909 806              | 992 498                |
| 032   | 53 599                    | 0          | 53 99                | 65 288                 |
| 042   | 3 389                     | 0          | 3 389                | 4 490                  |
| 052   | 1 903                     | 0          | 1 903                | 1 953                  |
| 097   | 6 568                     | 1 314      | 5 254                | 5 692                  |
| *LMP  | 9 477 683                 | 1 124 078  | 8 353 605            | 8 717 284              |

\*LMP = long-term movable property

b) separate movables and groups of movables – specification for main groups in thousands of CZK

| Property type of property               | Current accounting period |             |
|---|---------------------------|-------------|
|   | purchase price            | adjustments |
| 022 002 Mashines, devices and equipment | 560 792                   | 147273      |
| 003 Vehicles                            | 40 876                    | 6 519       |
| 004 Inventory                           | 207 792                   | 63 215      |
| 005 *LPMP 5 000 - 40 000,-              | 58 051                    | 35 783      |

\*LPMP = long-term petty movable property

c) specification of long-term intangible property in thousands of CZK

| group | purchase price<br>(gross) | Current accounting period<br>adjustments |       | Past<br>accounting period |
|-------|---------------------------|--|-------|---------------------------|
| 012   | 877                       | 73                                       | 804   |                           |
| 013   | 11 932                    | 6 540                                    | 5 392 | 6 564                     |
| 014   | 222                       | 178                                      | 44    | 90                        |
| 015   | 680 000                   | 680 000                                  |       |                           |
| 019   | 929                       | 534                                      | 395   | 612                       |
| 041   | 102                       |  | 102   | 421                       |
| 051   |                           |  |       | 781                       |
| LIP   | 694 062                   | 687 325                                  | 6 737 | 8 468                     |

d) Long-term tangible property has not been acquired using any financial lease procedures.

e) Increase and decrease in the amount of long-term property in thousands of CZK

| group | conditions prior<br>to 1 Jan 2003 | increase | decrease | conditions prior<br>to 31 Dec 2003 |
|-------|-----------------------------------|----------|----------|------------------------------------|
| 012   |                                   | 877      |          | 877                                |
| 013   | 10 384                            | 1 548    |          | 11 932                             |
| 014   | 222                               | 535      | 535      | 222                                |
| 015   |                                   | 680 000  |          | 680 000                            |
| 019   | 680 829                           | -679 900 |          | 929                                |
| 021   | 7 674 775                         | 1 852    | 41 720   | 7 634 907                          |
| 022   | 866 891                           | 1 886    | 1 266    | 867 511                            |
| 031   | 992 498                           |          | 82 692   | 909 806                            |
| 032   | 65 288                            |          | 11 689   | 53 599                             |
| 041   | 421                               | 2 741    | 3 060    | 102                                |
| 042   | 4 490                             | 2 637    | 3 738    | 3 389                              |
| 051   | 781                               | 320      | 1 101    |                                    |
| 052   | 1 953                             | 734      | 784      | 1 903                              |
| 097   | 6 568                             |          |          | 6 568                              |
| total | 10 305 100                        | 13 230   | 146 585  | 10 171 745                         |

e) Overall amount of property not included in the balance sheet

|  |        |
|--|--------|
| Petty tangible property as of 31 December 2003   | 46 291 |
| Petty intangible property in the observed period | 87     |

f) the „Contract of real property mortgage “ between KCP, a. s., and the Ministry of Finance on behalf of the Czech Republic, was concluded. The mortgagee is the Ministry of Finance of the Czech Republic by virtue of taking over governmental guarantee for the bonds issued by KCP, a. s. in the amount of EURO 55.000.000,-

The subject of the mortgage is the real property of KCP, a. s., registered:

- 1) in the certificate of ownership number 1431 of the Land Registry Office Prague-City, municipality Prague, cadastral area

Nusle  
 buildings descriptive numbers 1640; 1684; 1685  
 lots: 1100, 1101/1, 1101/5, 1101/6, 1103/1, 1103/2, 1103/3, 1103/4,  
 1103/5, 1103/6, 1103/7, 1542/1, 1542/2, 1555 and 1078

2) in the certificate of ownership number 1262 of the Land Registry Office Prague-City, for municipality Prague, cadastral area Podolí lot: 83

In relation to providing the financial means used to furnish the Holiday Inn PCC Hotel, there was an easement of use established to the benefit of Erste Bank (building descriptive number 1684; lot 1101/6 in the certificate of ownership number 1431 in the cadastral area Nusle). The legal effects of the entering the record of user's rights came into legal effect on 15 June 2001. In co-operation with Targa Hotels, a. s. we are discussing termination of the easement – the application has been placed with the Land Registry office Praha-City.

A mortgage contract between KCP, a. s., on the part of the mortgager, and Interbanka, a. s., on the part of the mortgagee, was concluded in order to secure the receivables by mortgaging a group of personal, tangible and intangible belonging to the mortgager which forms an independent organisational section named Holiday Inn Prague Congress Centre Hotel, operated by company TARGA Hotels, a. s. and thus entered in the notarial Register of Mortgages.

g) The company does not own any property whose market evaluation would be substantially higher than its accounting evaluation.

h) There is no ownership interest relating to other legal entities' business activities.

#### Receivables on business relations in thousands of CZK

|  | <u>2003</u> | <u>2002</u> |
|--|-------------|-------------|
| Overall amount of the receivables 180 days and more after maturity date: | 15 630      | 13 574      |

Part of the overall amount of the receivables of KCP, a. s. is the state of financial means of the hotel. The means are to be found at bank accounts of Targa Hotels, a. s. which is in agreement with the contracts concluded. These are booked on accounts „378“ and they show a balance of CZK 46.263.000,- as of 31 December 2003.

#### Obligations on business relations in thousands of CZK

|  | <u>2003</u> | <u>2002</u> |
|--|-------------|-------------|
| Obligations 180 days and more after maturity date: | 1 385       | 20 885      |

#### 8) Choice of the Profit and Loss Statement

For the compilation of the annual financial statement the accounting unit has chosen the form of profit and loss statement according to regulation number 500/2002 Coll., appendix number 2.

## g) Owned capital

During the accounting period the owned capital lowered by CZK 233.168.000,-, see appendix number 1 named Survey in changes of the owned capital:

Registered capital: CZK 7.138. 000.000,-

### The registered capital is divided in the following way:

|  |                   |
|--|-------------------|
| 70 parcels of registered shares in nominal value | CZK 100.000.000,- |
| 2 parcels of registered shares in nominal value  | CZK 50.000.000,-  |
| 37 parcels of registered shares in nominal value | CZK1.000.000,-    |
| 10 parcels of registered shares in nominal value | CZK 100.000,-     |

The company shares are registered and are issued as bills and are not marketable in public.

## 10) Gains.

The overall gains of the accounting unit from current activities amounting to CZK 587.164.000,- have been classified in the following way:

|                   |                   |
|-------------------|-------------------|
| home gains        | CZK 532.045.000,- |
| gains from abroad | CZK 55.119.000,-  |

## 11) Additional information

### Cash flow survey

The survey of cash flow has been carried out using an indirect approach.

As financial means we consider:

- Cash including tokens of value (accounting group number 21)
- Financial means on bank accounts including possible debit balance at current accounts (accounting group number 22)
- Money afloat (accounting group number 26)

### Alteration of information concerning the previous accounting period

In comparison with the accounting statements concerning the previous periods there have been both formal and content changes in the statements of the observed accounting period. To ensure the comparability of the data included in the final accounts for the current and directly preceding periods the accounting unit has made an alteration of information included in the statements regarding the previous accounting period as follows:

## BALANCE SHEET

|        |                                  | based on methods used in 2002 | based on methods used in 2003 |                                   |        |
|--------|----------------------------------|-------------------------------|-------------------------------|-----------------------------------|--------|
| 2003   | ASSETS                           | previous acc. period          | descr.                        | ASSETS previous acc. period       |        |
| C.III. | Receivables on business dealings | 57 156                        | C.III.1                       | Receivables on business relations | 55 543 |
|        |                                  |                               | C.III.7.                      | Other deposits provided           | 1 613  |
| D.II.  | Accrued active expenses          | 49 075                        | C.II.5.                       | Accrued active expenses           | 49 075 |
| D.I.1. | Future costs                     | 2 982                         | D.I.1.                        | Future costs                      | 2 082  |
|        |                                  |                               | D.I.2.                        | Future total costs                | 900    |

## LIABILITIES

|   |         |  |         |
|---|---------|--|---------|
| B.I.4. Deferred tax obligation            | 867 113 | B.II.10. Deferred tax obligation           | 867 113 |
| B.III.1. Obligations on business dealings | 52 234  | B.III.1. Obligations on business relations | 42 397  |
|   |         | B.III.8. Accepted short-term deposits      | 9 837   |
| C.II. Accrued passive expenses            | 77 754  | B.II.8. Accrued passive expenses           | 77 754  |

## PROFIT AND LOSS STATEMENT

based on methods used in 2002

based on methods used in 2003

| descr.   | ASSETS previous acc. period | descr.   | ASSETS previous acc. period |
|--|-----------------------------|--|-----------------------------|
| IV. Booking of reserves and timetable of operational gains | 1 021                       | G. Alteration in reserves and adjusting items in operational area and total future costs | 6 512                       |
| G. Reserves formation and timetable of operational costs   | -646                        |  |                             |
| V. Booking of adjusting items into operational gains       | 3 322                       |  |                             |
| H. Booking of adjusting items into operational costs       | -10 209                     |  |                             |
| Q. Other financial costs                                   | 8 831                       | O. Other financial costs   | 4 048                       |
| I. Other operational costs                                 | 10 303                      | H. Other operational costs   | 15 086                      |

In other financial and operational costs there reflects a change in booking of insurance payments related to operational activities. These has been moved from the group of financial costs to the group of operational costs. The change was made in the current accounting period. In order to secure comparability we have altered previous accounting period in these accounting groups.

### Overview of changes in owned capital

Appendix nr. 1

| Account                                      | *ES<br>1 January<br>2002 | Increase | Decrease | *PS to<br>31 December<br>2002 | ES to<br>1 January<br>2003 | Increase | Decrease | PS to 31<br>December<br>2003 |
|--|--------------------------|----------|----------|-------------------------------|----------------------------|----------|----------|------------------------------|
| Registered capital                           | 7 138 000                |          |          | 7 138 000                     | 7 138 000                  |          |          | 7 138 000                    |
| Other capital funds                          | 5 700                    |          |          | 5 700                         | 5 700                      |          |          | 5 700                        |
| Unsettled loss in past years                 | -1 888 888               | -957 747 |          | -2 146 635                    | -2 146 635                 | 153 374  |          | -1 993 261                   |
| Economic result in current accounting period | -139 418                 | 153 374  | -139 418 | 153 374                       | 153 374                    | -233 168 | 153 374  | -233 168                     |

\*ES = earlier situation

\*PS = present situation

**Calculation of deferred tax for 2002 and 2003 years in whole numbers of CZK**

| Index/Relation to deferred tax  | *DTC 2002                | *DTO 2002     | DTC 2003    | DTO 2003      |
|---|--------------------------|---------------|-------------|---------------|
| difference in residual price as of 31 December 2002   |                          | 3 091 629 025 |             |               |
| difference in residual price as of 31 December 2003   |                          |               |             | 3 070 734 401 |
| tax loss until 2000 year  | 168 651 744              |               | 146 745 436 |               |
| tax loss until 2001 year  | 122 403 519              |               | 122 403 519 |               |
| unsettled contractual fines and penalty (costs)   |                          |               | 3 956       |               |
| unsettled contractual fines and penalty (gains)   |                          |               |             | 173 111       |
| other reserves (454)  | 0                        |               | 0           |               |
| non-tax reserves (459)  | 1 321 360                |               | 515 183     |               |
| non-tax adjusting items (559)   | 7 804 721                |               | 9 029 907   |               |
| non-tax adjusting items to acquired property  |                          | 5 691 927     |             | 5 254 086     |
|   |                          |               |             |               |
|   |                          |               |             |               |
| deferred tax base 2002  |                          | 2 797 139 608 |             |               |
| deferred tax base 2003  |                          |               |             | 2 797 463 597 |
|   |                          |               |             |               |
| deferred tax rate in %  |                          | 31            |             | 28            |
|   |                          |               |             |               |
| <b>deferred tax obligation 2002</b>   |                          | 867 113 278   |             |               |
| <b>deferred tax obligation 2003</b>   |                          |               |             | 783 289 807   |
|   |                          |               |             |               |
| recalculation of 2002 to rate of 28%  |                          | 783 199 090   |             |               |
| <b>difference in 2002</b>   | regulation nr. -592/-481 | -83 914 188   |             |               |
|   |                          |               |             |               |
| <b>difference in 2003</b>   | regulation nr. 592/481   |               | 90 717      |               |
| Calculation of payable tax 2003   |                          |               |             |               |
|   |                          |               |             |               |
| Adjusted accounting result after both phases of booking of deferred tax when tax deduction for 2003 was not applied |                          | -233 168 411  |             |               |

\*DTC = deferred tax claim

\*DTO = deferred tax obligations

26 April 2004