



# Annual Report 2018



# Annual report content

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# Key economics indicators

**45**  
GWh

ANNUAL ELECTRICITY  
PRODUCTION

**27.5**  
MW

INSTALLED GENERATING  
CAPACITY

**50**  
th. tons

TOTAL CO<sub>2</sub>  
SAVINGS

**250**  
mil. CZK

TOTAL ANNUAL  
REVENUES

**2**  
bln. CZK

ASSETS UNDER  
MANAGEMENT

**7%**  
p.a.

AVERAGE ANNUAL  
RETURN





# General information about the investment fund

## Name and information about the open-ended investment fund

### Information about the investment fund:

Name: NOVA Green Energy otevřený podílový fond REDSIDE investiční společnost, a.s.  
 Short name: NOVA Green Energy OPF (the „Fund“)  
 NID: 8080238305

Permission with reference number 2013/1333/570 to Sp/2012/816/571 on creation of a mutual fund was granted by a decision of the Czech National Bank on 29 January 2013.

The Fund is registered in the list of investment funds maintained by the Czech National Bank pursuant to Section 597 (b) of the Act No. 240/2013 Coll., On Investment Companies and Investment Funds (the “Act”).

The Fund is registered for an indefinite period.

The Fund is a qualified investor fund pursuant to Section 95 (1)(b) of the Act. It collects funds from qualified investors through the issue of redeemable shares (“the shares”), and it carries out joint investment of collected funds or monetary-valuable items based on a specified investment strategy for the benefit of the qualified investors and also manages those assets.

REDSIDE investiční společnost, a.s. (the “Investment Company”) acted as the Fund’s administrator and manager in the current accounting period. As part of its administrative role, the Investment Company performed all activities related to Fund administration, such as bookkeeping, provision of legal services, compliance, internal audit, assets valuation, calculation of the current values of the shares, preparation of the Fund’s documents and communication with shareholders and other stakeholders, including the Czech National Bank. As part of the management role, the Investment Company participated in investment activities on behalf of the Fund, liquidity management, acquisitions and management of all kinds of risks associated with operating an open-ended fund of qualified investors.

The Fund is managed and administrated by the Investment Company.

No hedging financial derivative instruments were used in connection with this activity and no significant changes in the Fund’s Statute took place during the financial year.

The Investment Company issues the shares, which carry the following rights of shareholders:

- To be informed about the current value of the shares;
- To receive a report on the Fund’s performance within the time limits set by the Fund’s Statute;
- To receive, at their request, information about the remuneration of the Investment Company received from the Fund;
- To receive, at their request, the current version of the Fund’s Statute and the Fund’s latest Annual Report;
- In case of enforcement order to apply the right of selling the shares or, in the case of an execution order for the sale of shares, a pre-emption right to shares of another shareholder under the conditions of Section 283 (1) of the Act;
- To require the exchange of a collective shares;
- To receive a share on the Fund’s profit or proceeds from liquidation of the Fund;
- To request the redemption of the shares under the terms set in the Fund’s Statute. The shareholder has the right of redemption of the shares by the Investment Company. The shares are transferable with no restrictions.

The shares stipulate equal rights for all shareholders.

## Information about Investment Company managing the investment fund

### General information

REDSIDE investiční společnost, a.s., ID: 242 44 601, with its registered office at V Celnici 1031/4, Nové Město, 110 00 Prague 1, incorporated by the Municipal Court in Prague, Section B, Insert 18362.

### Share capital

CZK 8,400 thousand, fully paid.

### Registration date

29 June 2012

### Decision on authorisation

Czech National Bank's decision no. 2013/5063/570 from 29 April 2013.

The Investment Company is registered in the list of investment companies maintained by the Czech National Bank pursuant to Section 596 (a) of the Act and it is authorised to exceed the applicable limit.

### Supervisory Body and Statutory Representatives

**Rudolf Vřešťál**, the Chairman of the Board of Directors and Financial Director

**Ing. Karel Krhovský**, Member of the Board of Directors and Managing Director

**Ing. Juraj Dvořák**, Member of the Board of Directors and Sales Director

### Authorised activity pursuant the Act:

- administration of qualified investor funds, including foreign investment funds, comparable to qualified investors (except qualified venture capital funds and qualified social entrepreneurship funds)
- management of qualified investor funds, including foreign investment funds comparable to qualified investors (except qualified venture capital funds and qualified social entrepreneurship funds)

### Principles of remuneration of persons with executive authority in the Investment Company

The persons with executive authority in the Investment Company are:

#### **Rudolf Vřešťál, the chairman of the Board of Directors and Financial Director.**

The Financial Director mainly manages the activities of management department, i.e. primarily asset management and risk management.

#### **Ing. Karel Krhovský, member of the Board of Directors and Managing Director.**

The Managing Director manages the activities of subordinated departments and, under defined circumstances, the entire Investment Company. In particular, the Managing Director is responsible for defining strategic objectives, delegation of authority and responsibilities, continuous evaluation of the effectiveness of the Investment Company, taking responsibility for internal and outsourced processes related to the activities of investment fund administration.

#### **Ing. Juraj Dvořák, member of the Board of Directors and Sales Director.**

The Sales Director manages the activities of Sales Department and represents the Investment Company in relations with third parties. Persons with executive authority of the Investment Company are remunerated based on an agreement on performance of an office. Remuneration of executives consists of fixed and variable component. While variable component depends on the profits of the managing company.



# Report of the board of directors

We would like to inform you about the business activities of investment fund NOVA Green Energy otevřený podílový fond REDSIDE investiční společnost, a.s. for the period from 1 January 2018 to 31 December 2018, together with the intentions of the Board of Directors as the management body of the Investment Company acting as manager and administrator on behalf of the Fund.

The main objective of the Fund is the long-term appreciation of the shareholders' investments. At the same time, we focus on a thorough measurement of the performance of individual assets in order to increase their internal performance. In 2018, a reduction of the reserve funds of some photovoltaic projects was negotiated, which had a positive impact on the valuation. We are also discussing possible further optimisation measures with funding institutions. The performance of the photovoltaic portfolio was positively affected by the washing of the panels and the removal of solid impurities. In biogas installations, we negotiated a supply of raw materials in time and paid a lower price for the entire season 2018/19. After the revitalisation of part of the photovoltaic portfolio in 2017, the production plan was fulfilled within 10 months, i.e. at the end of October 2018. Overall, we exceeded the plan by 5.5%, which is approximately EUR 423,000 in financial terms. On the contrary, the lack of input of raw material from the 2017/18 season, caused by worse climatic conditions and lower harvest, negatively affected the results.



The second objective is to increase total assets of the Fund gradually through the acquisition of new projects. In 2018, the Fund focused primarily on selected projects from 2017, namely the photovoltaic power plant (PPP) in Bárcs, Hungary and the biomass heating plant in Topolčany and Bardejov in Slovakia. Photovoltaic power plants in Hungary have been able to draw operating subsidies since last year in the form of guaranteed redemption price for 25 years, amounting to approximately € 100 per MWh. The FVE Bárcs project received funding from OTP Bank in 2018 and has begun its construction during the summer. The expected completion date of the construction is planned for March 2019. After that, the process of connecting to the distribution system and the formal completion of construction will start. As of now the Fund has a total installed capacity of 21.5 MW electrical and 6 MW thermal. The

annual electricity production is 42,500 MWh, which would cover the consumption of about 10,000 households. This volume ranks us among the most important funds in the field of green energy in the CEE region. The Fund will become the most important market participant in the CEE region following the planned acquisitions of the photovoltaic power plant in Bárcs, Hungary and biomass heating plants in Topolčany and Bardejov, Slovakia.



Our third goal, which relates to mitigation of risks, is to diversify the portfolio through number of projects and technologies, and also with geographical segmentation. Our portfolio is currently spread through the Czech Republic and the Slovak Republic and in relation to technology it includes photovoltaic power plants, biomass heating plants and biogas stations. The Fund expands to Hungary and also analyses other projects, for example, water or wind energy projects.

In 2018 the energy market continued its gradual transformation towards decentralized resources and energy services. Emphasis is on energy savings, increasing the share of renewable resources, reducing greenhouse gas emissions and innovations in technologies (battery systems, smart technologies, electric mobility, etc.). The most important document in the field of European energy is the so-called EC winter package, which focuses on energy efficiency and CO<sub>2</sub> emissions. The new „energy“ package contains many interesting numbers and goals. One of the most important targets is probably to reduce energy consumption by 30% by 2030. By the same year, Europe also wants to reduce its CO<sub>2</sub> emissions by at least 40% while modernizing its economy. By 2030, 50% of total electricity should be produced from renewable sources. In connection with this goal, coal and coal-powered plants should be banned from engaging in capacity-sharing mechanisms. Furthermore, a new threshold of 550 grams of CO<sub>2</sub> per kWh is introduced for new power plants. For existing power plants, this limit will start to apply in 2026. These facts bring investment in renewable energy sources to the forefront of investor interest, which illustrates the increased interest in joining the Fund from smaller shareholders and foreign professional customers.

At the end of 2018, the Ministry of Industry and Trade (MIT) submitted draft amendments to the Act on Supported Resources and the Energy Act to the interdepartmental comment procedure. The proposal regulates the so-called overcompensation control of existing operating support for energy production. However, the amendment to the Act on Supported Resources also brings positive changes for the sector and sets rules for operational support for the future, which is to be traded in auctions. In connection with the planned inspections of the overcompensation, the Fund conducted an analysis of both Czech photovoltaic power plants under the supervision of the law firm Frank Bold Advokáti, which focuses on the issue together with the Solar Association. The Fund manages two photovoltaic power plants in the Czech Republic, in Rožná (2009) and in Kralice na Hané (2010). In the course of 2019, according to the MIT, data collection for power plants from 2009 should have been started. Given the level of investment, it can be assumed that the calculated IRR criterion should be below the critical 8.4% threshold. We continue to monitor the situation and we will consult the potential risk of the Fund's exposure to these controls with both the Solar Association and with the lawyers from Frank Bold Advokáti.

Our intention is to keep the Fund moving towards advanced European fund structures. For this purpose, we as Fund Manager registered the Fund at the Bloomberg International Information and Business Terminal, in which we have been active since the beginning of 2018.

We continue to use structure of a so-called master-feeder structure in Liechtenstein, while the local NOVA Green feeder fund managed by Scarabaeus WM AG invests solely in the Fund's units, and this way perfectly mirrors its investment strategy.

We want to continue to benefit in so far as possible from the amended legislation which resulted in the AIFMD directive for a cross-border offer of alternative investment funds based on the so-called single European passport.

The Fund's ambition is to remain, if possible, the best choice for conservative investors who expect a stable appreciation of their capital in the field of renewable energy, based on long-term state-guaranteed purchase prices and professional asset and portfolio management.

In 2018, after deducting all operating and acquisition costs, we managed to increase the value of both classes of Fund's shares by 6.36% year-on-year. This value currently greatly exceeds the money market instruments, other competitors or Fund structures focused on so-called green energy, whereas, investment in the Fund may be considered as a kind of alternative to government bonds by its nature of state-guaranteed income, with higher liquidity and higher expected return.



**Rudolf Vřešťál**

Chairman of the Board of Directors  
REDSIDE investiční společnost, a.s



**Ing. Karel Krhovský**

Member of the Board of Directors  
REDSIDE investiční společnost, a.s



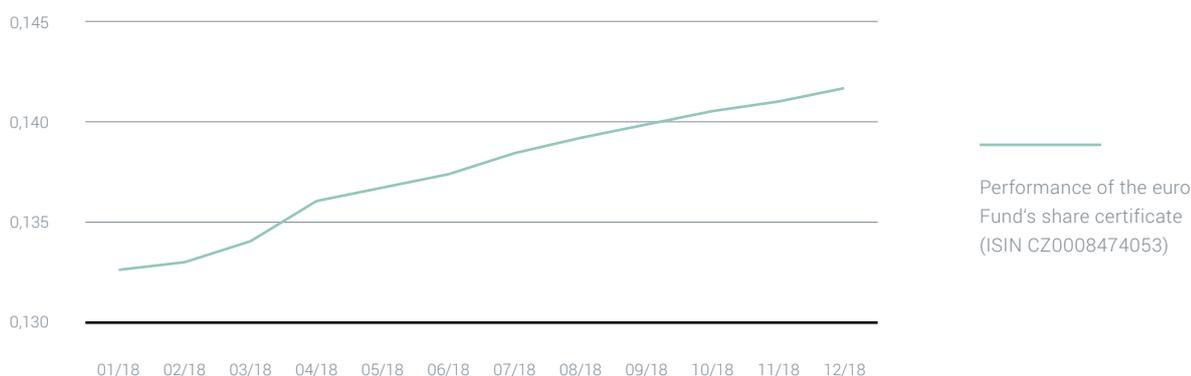
# Investment fund profile

## Fund management in 2018

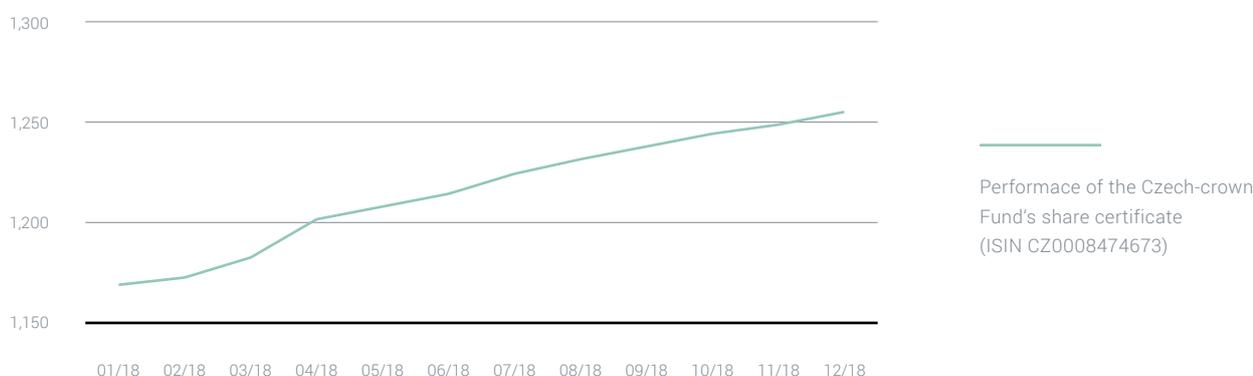
In 2018, the Company's financial performance resulted in an increase of net assets attributable to holders of redeemable shares of EUR 3,035 thousand. The increase in the net assets of the Fund was mainly related to investments in equity investments in renewable energy, interest from subordinated receivables and held debt securities.

Detailed information about the Company's results is provided in the financial statements for the year from 1 January 2018 to 31 December 2018 and related notes.

The value of the euro share amounted to EUR 0.1421 as at 31 December 2018, which represents an increase of more than 42.1%, for nominal value of EUR 0.1 since mid-2013, when the first assets were acquired by the Fund.



The value of the Czech-crown share reached CZK 1.2537 as at 31 December 2018 and increased by 25.4% compared to May 2015 when the issue was registered in the central securities depository.



## Auditor of the Fund

The Fund's results for the period are audited by PricewaterhouseCoopers Audit, s.r.o, with its registered office at Hvězdova 1734/2c, Nusle, 140 00 Prague 4, Czech Republic, ID: 40765521, registered in the Commercial Register maintained by the Municipal Court in Prague, Section C, Insert 3637, and in the list of auditing companies at the Chamber of Auditors of the Czech Republic under licence No. 021.

## Perspectives for 2019

In the area of fulfilling the investment strategy, the primary objective of the Fund is to increase its value and further diversify the portfolio, from the perspective of territory and technology. In the implementation phase are the acquisitions of biogas stations in the Slovak Republic (first three biogas stations with a total installed capacity of 2 MW were acquired in autumn 2017) and heating plants for biomass burning. Further plans include the acquisition of a photovoltaic project in Báracs, Hungary.

Our intention is therefore to diversify the investment portfolio of renewable resources, both from the perspective of assets held and the territory, in order to eliminate political risk that could affect the amount and payment of redemption tariffs. We are preparing the installation of a photovoltaic power plant in cooperation with the NOVA Real Estate Fund on the roof of the Trenčín industrial park, which at the end of 2018 became part of the NOVA Real Estate Fund.

In 2019, the Fund plans to start these acquisitions:

- Photovoltaic power plant Báracs, Hungary, installed capacity 15 MWp
- Biomass power plants Topolčany and Bardejov, Slovakia, 16 MWe + 53 MWt
- Biogas plant Horovce 1, Horovce, Slovakia, 1 MWe

When funding individual projects, we would like to continue with the newly established feeder structure for the Fund in Liechtenstein. We will also continue to actively offer our funds to foreign institutional investors and family-office structures.

Investment limits and the composition of the portfolio according to the Act will also be taken into account.

In terms of territorial diversification, the Fund will continue to invest in the Central and Eastern European region.

#### Information on matters with a significant impact on the performance of the Fund

Net result of the financial year is composed of income from equity investments in entities carrying out the activities related to the production of energy or heat from renewable energy sources and interest income from short-term securities, which the Fund uses primarily for liquidity management with regard to the open-ended form of the Fund, reduced by expenses of the fund consisting, in particular, of regular monthly fee for the management of the fund, depositary and custody fee, audit fee and fee for expert revaluation of the assets of the Fund at fair value.

#### Information on events that occurred subsequent to year-end

No events with significant impact on Fund's financial positions and its performance took place after the year end.

#### Information about the expected development of the Fund's activities

In the coming years, the Fund will continue its collective investment activity in accordance with effective legislation and the Fund's statute. If the expected increase in net assets is achieved in accordance with the financial plans of individual investments, the Investment Company expects investors to see increased interest in the issue of new units in order to achieve a net asset value of EUR 75 million at the end of 2018, with an annual net targeted profit between 5.5 – 6.5% p.a.

#### Information about Codes of Management and administration of the Investment Company, which are binding

There are no binding codes for the Investment Company.

#### Description of the decision-making procedures and the composition of the Supervisory Body and the Supervisory Board:

##### The board of directors

The board of directors as a statutory body governs the Investment Company and shall represent it in the manner set out in the Articles of Association of the Investment Company. The board of directors shall have quorum by an absolute majority of its members.

The board of directors has 3 members elected for 5 years. The Investment Company is represented by the Chairman of the board of directors together with another board member.

##### The supervisory board

It is the control body of the Investment Company, which oversees the implementation of the business activities of the Investment Company and how the board of directors performs its activities.

The supervisory board has 3 members elected for 5 years. The supervisory board shall have a quorum by an absolute majority of its members.

#### **The general meeting**

It is the supreme authority of the Investment Company in whose scope falls decision-making, in particular of:

- Changes in the Articles of Association of the Investment Company
- Election and dismissal of members of the board of directors and the supervisory board
- Approval of ordinary, extraordinary and interim financial statements

Other areas of competence are listed in the Articles of Association of the Investment Company.

#### **Restrictions on transferability of shares of the Investment Company:**

Investment Company shares are transferable without restrictions.

#### **Significant direct and indirect shares in the voting rights of the issuer**

Shareholder of the Investment Company with a significant share of the Investment Company is a company RVR Czech, s. r. o., ID 24300136 based V Celnici 1031/4, Prague 1, 11000, owned by Rudolf Vřešťál.

#### **The owners of securities with special rights, including a description of those rights**

None of the shares of the Investment Company carry any special rights.

#### **Restrictions on voting rights**

Shares of the Investment Company are not subject to any restrictions on voting rights.

#### **Information on the fees charged for the accounting period by the auditors, divided by the individual types of services, presented separately for the Investment Company and separately for the consolidated group.**

The remuneration of the auditor for the audit of the Fund's financial statements as at 31.12.2018 amounted to EUR 12 thousand. The Fund is not included in any consolidation unit. The auditor of the Fund did not provide any other services.

#### **The contract between the shareholders of the Investment Company, which may result in a denial of the transferability of shares**

No contract which would impede the transferability of the shares of the Investment Company were concluded among shareholders of the Investment Company.

#### **Special rules governing the election and dismissal of members of the statutory authority and amend the Articles of Association of the issuer**

The Investment Company is not bound by any special rules governing election and dismissal of members of statutory bodies or change of the Articles of Association.

#### **Specific scope of statutory authority under a law regulating legal relations within business companies and cooperatives**

The board of directors does not have and does not exercise any special powers under the act regulating legal relations within business companies and cooperatives.

#### **Information on the principles and procedures of internal control and the rules of approach of the issuer and his consolidation unit to risks in relation to financial reporting**

Accounting for the Investment Company carries out a company ASB Accounting, s. r. o., ID: 27215849, based V Celnici 1031/4, 11000 Prague 1, registered in the commercial register maintained by the Municipal Court in Prague, section C, insert 105100, on the basis of the Outsourcing contract for provision of accounting services, tax records and services related to settlement of trades. This contract complies with the provisions of Coll. 50 et seq. of the Act and contains all the provisions of the AIFMR regulation, which impacts the outsourcing contracts of the administrators according to the AIF. On the basis of this agreement, the Investment Company in regular intervals checks the procedures and rules that the company ASB Accounting, s. r. o. uses in the performance of obligations of the outsourcing contract.

### Significant contracts in which the Investment Company is a contracting party and which take effect, change or expire in the case of change of control of the Investment Company as a result of a takeover bid

The Investment Company is not contracting party to any agreements which take effect, change or expire in case of change of control of the Investment Company as a result of a takeover bid.

### Contracts between the Investment Company and the members of its statutory body or employees, which bound the Investment Company to certain fulfilment in the case of termination of their offices or employment in connection with a takeover bid

The Investment Company is not party to any agreement between the Investment Company and the members of its statutory body or employees, which would bound the Investment Company to certain fulfilment in the case of termination of their offices or employment in connection with a takeover bid.

### Schemes, on the basis of which the employees and the members of the statutory body of the Investment Company are allowed to acquire equity securities of the Investment Company

The Investment Company does not have any schemes on the basis of which staff and members of the statutory body of the Investment Company are allowed to acquire equity securities of the Investment Company.

## Information about entities in which the Fund had a controlling interest

Entity	Share	Identification no.	Country
PV-Projekt, s.r.o.	100%	45 281 106	SK
Jakub Solar s.r.o.	100%	46 112 871	SK
CES-SOLAR 33, s.r.o.	100%	46 094 504	SK
CES-SOLAR 42, s.r.o.	100%	46 094 644	SK
FTVE Green Energy 1, s.r.o.	100%	46 025 804	SK
FTVE Green Energy 2, s.r.o.	100%	46 025 553	SK
HK Promotion, s.r.o.	100%	44 707 541	SK
INMADE, s.r.o.	100%	36 689 246	SK
EPSOLAR s.r.o.	100%	44 933 428	SK
SOLARIS one s.r.o.	100%	43 871 917	SK
TECOMA TRAVEL AGENCY, s.r.o.	100%	36 577 537	SK
ENERGOTREND alfa s.r.o.	100%	28 566 408	CZ
RRL Czech, s.r.o. (holding 100% CHILOE, a.s.)	100%	28 308 883	CZ
Enwo s.r.o.	99%	44 022 751	SK
TFI Slovakia, s.r.o.	99%	50 412 477	SK
TKU Slovakia, s.r.o.	99%	50 412 523	SK
VSO Slovakia, s.r.o.	100%	50 501 950	SK

## Information about the depositary

Name: UniCredit Bank Czech Republic and Slovakia, a.s.  
Registered office: Želetavská 1525/1, Prague 4 – Michle, 140 92  
ID: 649 48 242

The Depositary is a company registered in the Commercial Register maintained by the Municipal Court in Prague, Section B, Insert 3608.

### Information about significant changes of Fund's Statute in relevant period

In the relevant period, there were no significant changes in the Fund's Statute with regard to the strategy and orientation of the Fund, fee structure, outsourcing matters, Fund's management and risk profile.

### Information about salary, considerations and similar income of employees and management, paid by managing company of the Fund to its employees and management

In thousands of CZK	2018	2017
Wages and bonuses of members of the Board of Directors of the managing company	4,822	1,920
Other wages, personnel costs and employee bonuses	10,755	7,809
Social costs and health insurance	4,335	3,090
<b>Total personnel expenses of managing company</b>	<b>19,912</b>	<b>12,819</b>

In 2017 and 2018 there was no consideration paid to the members of the supervisory board of the managing company.

Remuneration of the members of the Board of Directors consists of variable and fixed component. While the variable component depends on the profits of the managing company.

#### Staff statistics of managing company

	2018	2017
Average number of employees	12	11
Number of members of the Board of Directors	3	3
Number of members of the Supervisory Board	3	3

### Information about salary, considerations and similar income of employees and management, paid by managing company of Fund to those employees or management, whose activity significantly influences the risk profile of the Fund

In thousands of CZK	2018	2017
Wages and bonuses of members of the Board of Directors of managing company	4,822	1,920

### Information about both monetary and non-monetary considerations received from the Fund by the manager and the administrator in the relevant period

In the relevant period, the Investment Company received administration and management fees of EUR 644 thousand. No other benefits have been provided to the members of the Board of Directors or the Supervisory Board of the asset manager.

### Information about the number of the Fund's shares held by the members of the Board of Directors and the Supervisory Board of the managing company

Members of the Board of Directors and Supervisory Board do not own any of the Fund's shares.

### Information about litigation or arbitration disputes in which the Fund participated/is participating in the reference period

The Fund did not participate in any litigation or arbitration disputes in the reference period.

### Information about the average number of employees of the Fund

The Fund had no employees during the reference period.

### Investments in research and development

The Fund did not undertake any research and development activities in the past accounting period.

### Organisational unit abroad

The Investment Company does not have any establishments abroad in the current period.

### Information from the statement of financial position and statement of comprehensive income

Information from the Fund's statement of financial position and the statement of comprehensive income as at 31 December 2018 is presented in Appendix 1 to this Annual Report.

### Fund's net assets and net asset value per share

	<b>31 December 2018</b>
Net assets (NAV)	EUR 53,124 ths.
Number of CZK shares issued	273,574,796
Number of EUR shares issued	280,052,348
Value of CZK unit (ISIN: CZ0008474673)	CZK 1.2537
Value of EUR unit (ISIN: CZ0008474053)	EUR 0.1421

### Other information

At the best knowledge of the the Investment Company, this annual report gives a true and fair view of the financial situation of the Fund.

All additional important information (in particular pursuant to the Act), which gives comprehensive information about the results of the open-ended mutual fund and its assets, is presented in the financial statements, which are an integral part of this 2018 Annual Report.

Prague, 15 April 2019



**Ing. Karel Krhovský**  
Member of the Board of Directors  
REDSIDE investiční společnost, a.s



**Rudolf Vřešťál**  
Chairman of the Board of Directors  
REDSIDE investiční společnost, a.s.



## ***Independent auditor's report***

**to the shareholders of NOVA Green Energy otevřený podílový fond REDSIDE investiční společnost, a.s.**

### **Report on the Audit of the Financial Statements**

#### ***Our Opinion***

In our opinion the accompanying financial statements give a true and fair view of the financial position of NOVA Green Energy otevřený podílový fond REDSIDE investiční společnost, a.s. , with its registered office at V Celnici 1031/4, Prague 1, the Czech Republic ("the Fund") as at 31 December 2018, of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

#### *What we have audited*

The Fund's financial statements comprise:

- The statement of financial position as at 31 December 2018;
- The statement of comprehensive income for the year then ended;
- The statement of changes in net assets attributable to holders of redeemable shares;
- The statement of cash flows for the year then ended; and
- The notes to the financial statements, which include significant accounting policies and other explanatory information.

#### ***Basis for Opinion***

We conducted our audit in accordance with the Act on Auditors and Standards on Auditing of the Chamber of Auditors of the Czech Republic. These standards consist of International Standards on Auditing (ISAs) which may be supplemented and modified by related application guidance. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We are independent of the Fund in accordance with the Act on Auditors and Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and accepted by the Chamber of Auditors of the Czech Republic and we fulfilled our other ethical responsibilities in accordance with these regulations.

*PricewaterhouseCoopers Audit, s.r.o., Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic  
T: +420 251 151 111, F: +420 251 156 111, [www.pwc.com/cz](http://www.pwc.com/cz)*

PricewaterhouseCoopers Audit, s.r.o., registered seat Hvězdova 1734/2c, 140 00 Prague 4, Czech Republic, Identification Number: 40765521, registered with the Commercial Register kept by the Municipal Court in Prague, Section C, Insert 3637, and in the Register of Audit Companies with the Chamber of Auditors of the Czech Republic under Evidence No 021.



**Shareholders of NOVA Green Energy otevřený podílový fond REDSIDE investiční společnost, a.s.  
Independent auditor's report**

***Our audit approach***

***Overview***



Overall materiality for the financial statements represents 1,5% of the Fund's net assets attributable to holders of redeemable shares value and has been estimated at EUR 796 thousand.

Our scope was the full audit of the Fund

Fair value measurement of the Fund's financial instruments

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

***Materiality***

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

<b>Overall materiality</b>	EUR 796 thousand
<b>How we determined it</b>	1,5% from the Fund's net assets attributable to holders of redeemable shares
<b>Rationale for the materiality benchmark applied</b>	The profit before tax is not considered to be the appropriate benchmark due to the fact that the key indicator for investors in funds is the net asset value. It affects the redeemable amount per share and the investment manager's fee. 1,5% of net assets is considered as an appropriate benchmark for exchange traded funds.



**Shareholders of NOVA Green Energy otevřený podílový fond REDSIDE investiční společnost, a.s.  
Independent auditor's report**

**Key Audit Matter**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**Key audit matter**

**How our audit addressed the key audit matter**

**Fair value measurement of the financial instruments**

The fair value of the Fund's financial assets is determined through the application of valuation techniques, which often involve the exercise of judgement by management and the use of assumptions, estimates and valuation models. Estimation uncertainty is high due to the fact that majority of significant valuation inputs are unobservable. At 31 December 2018, the Fund had only financial instruments measured using unobservable valuation inputs, which included unquoted debt securities, investments in equity securities and subordinated loans granted.

Please refer to Note 5.1 (a) of the financial statements for management's assumptions used in estimation of fair value of financial instruments of the Fund.

For valuation of the Fund's investments, we assessed both the methodology and assumptions used by management in the calculation of the year-end fair values.

For equity securities and subordinated loans granted we performed the following procedures:

- We obtained valuation reports from management's valuation experts and assessed their independence and competency. We have concluded that valuation experts were independent and competent.
- We assessed the assumptions and methodology used by management's valuation experts by using our internal valuation experts to check these were appropriate. We found the assumptions and methodology appropriate in the given circumstances.
- We agreed most significant inputs used by management's valuation experts to source documentation and we found no material exceptions.

All debt securities were independently re-priced by our internal valuation experts, who identified no material differences.

**Other Information**

In compliance with Section 2(b) of the Act on Auditors, the other information comprises the information included in the Annual Report other than the financial statements and auditor's report thereon. The Board of Directors of REDSIDE investiční společnost, a.s. is responsible for the other information.

Our opinion on the financial statements does not cover the other information. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge about the Fund obtained in the audit or otherwise appears to be materially misstated. In addition, we assess whether the other information has been prepared, in all material respects, in accordance with applicable law and regulation, in particular, whether the other information complies with law and regulation in terms of formal requirements and procedure for preparing the other information in the context of materiality, i.e. whether any non-compliance with these requirements could influence judgments made on the basis of the other information.

Based on the procedures performed, to the extent we are able to assess it, we report that:

- The other information describing the facts that are also presented in the financial statements is, in all material respects, consistent with the financial statements; and
- The other information is prepared in compliance with applicable law and regulation.

In addition, our responsibility is to report, based on the knowledge and understanding of the Fund obtained in the audit, on whether the other information contains any material misstatement of fact. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement of fact.



**Shareholders of NOVA Green Energy otevřený podílový fond REDSIDE investiční společnost, a.s.  
Independent auditor's report**

***Responsibilities of the Board of Directors and Supervisory Board of REDSIDE investiční společnost, a.s for the Financial Statements***

The Board of Directors of REDSIDE investiční společnost, a.s. is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors of REDSIDE investiční společnost, a.s. determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Supervisory Board of REDSIDE investiční společnost, a.s. is responsible for overseeing the financial reporting process.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the above stated requirements will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

We communicate with the Board of Directors and the Supervisory Board of REDSIDE investiční společnost, a.s. regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**Shareholders of NOVA Green Energy otevřený podílový fond REDSIDE investiční společnost, a.s.  
Independent auditor's report**

We also informed the Supervisory Board of REDSIDE investiční společnost, a.s. that we have complied with relevant ethical requirements regarding independence, and communicated them any relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

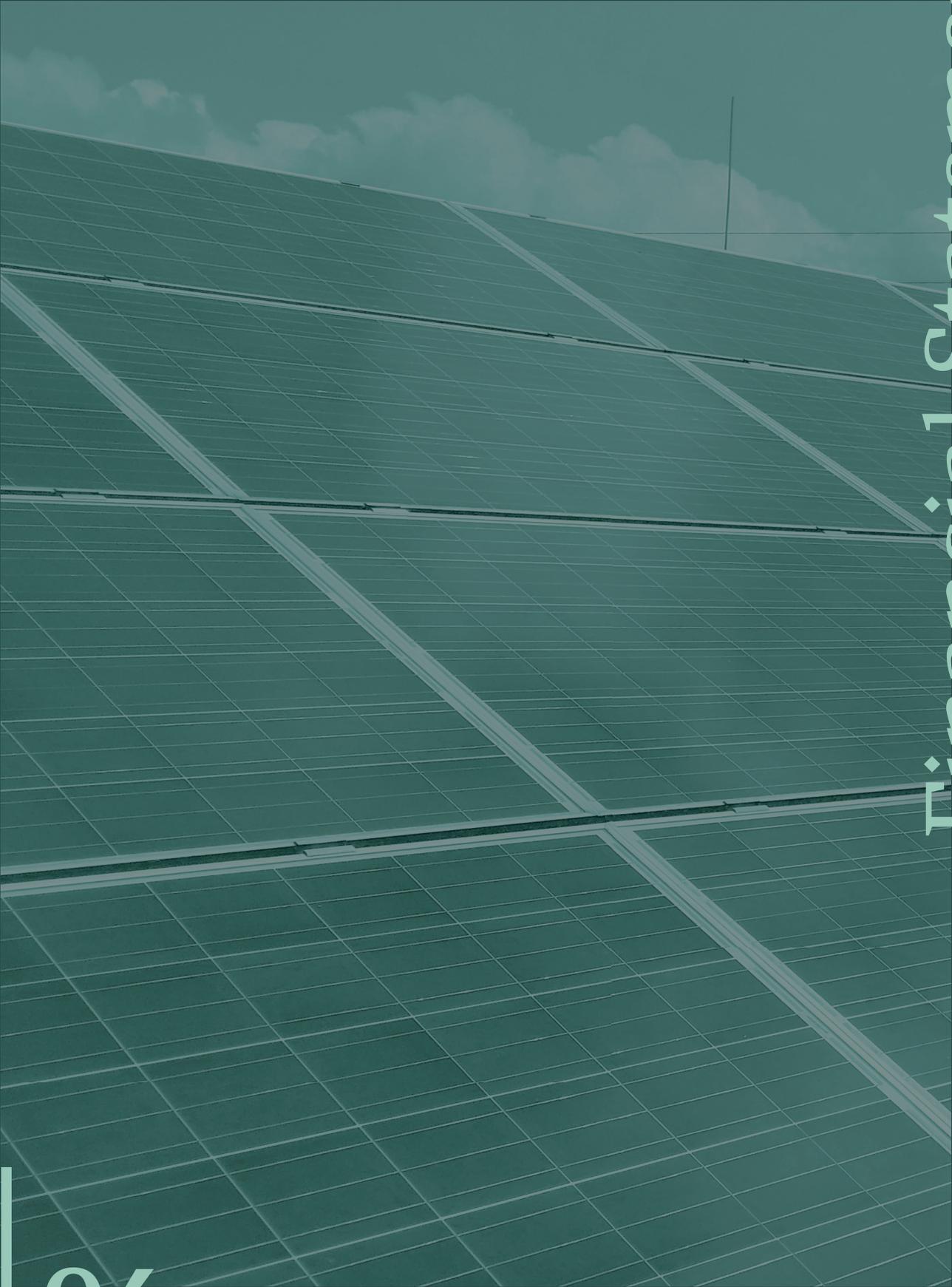
From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

15 April 2019

*Price Waterhouse Coopers Audit s.r.o.*  
represented by partner

*Petr Kriz*

Ing. Petr Kriz  
Statutory Auditor, Evidence No. 1140



# Financial Statements

# NOVA Green Energy

## Financial Statements for the year ended 31 December 2018

### STATEMENT OF FINANCIAL POSITION

in EUR 1,000	Note	31 December 2018	31 December 2017
<b>ASSETS</b>			
<b>Current assets</b>			
Financial assets at fair value through profit or loss	5		
Debt securities		18,767	15,508
Equity securities		11,689	11,258
Subordinated loans granted		22,844	19,626
Other assets	6	-	28
Cash and cash equivalents	7	347	1,858
<b>Total assets</b>		<b>53,647</b>	<b>48,278</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Short-term liabilities	8	393	1,071
Current income tax liability		26	-
<b>Non-current liabilities</b>			
Deferred tax liability	11	104	57
<b>Liabilities (excluding net assets attributable to holders of redeemable shares)</b>		<b>523</b>	<b>1,128</b>
<b>Net assets attributable to holders of redeemable shares</b>		<b>53,124</b>	<b>47,150</b>
<b>Total liabilities</b>		<b>53,647</b>	<b>48,278</b>

The notes on pages 6 to 24 are an integral part of these financial statements.

## STATEMENT OF COMPREHENSIVE INCOME

in EUR 1,000	Note	2018	2017
<b>Income</b>			
Interest from financial assets at fair value through profit or loss	10	3,125	2,686
Net foreign currency gains or losses on cash and cash equivalents		43	101
Other net changes in fair value on financial assets through profit or loss		774	1,106
<b>Total net income</b>		<b>3,942</b>	<b>3,893</b>
<b>Expenses</b>			
Management fee		(644)	(496)
Custodian fees		(62)	(34)
Other operating expenses		(32)	(36)
<b>Total operating expenses</b>		<b>(738)</b>	<b>(566)</b>
<b>Operating profit</b>		<b>3,204</b>	<b>3,326</b>
Distributions to holders of redeemable shares		-	-
<b>Profit after distributions and before tax</b>		<b>3,204</b>	<b>3,326</b>
Income tax	11	(169)	(121)
<b>Increase in net assets attributable to holders of redeemable shares from operations</b>		<b>3,035</b>	<b>3,205</b>

The notes on pages 6 to 24 are an integral part of these financial statements.

## STATEMENT OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES

in EUR 1,000	Note	2018	2017
Net assets attributable to holders of redeemable shares at 1 January		47,150	42,720
Proceeds from redeemable shares issued		5,903	6,946
Redemption of redeemable shares		(2,964)	(5,721)
<b>Net increase from redeemable share transactions</b>		<b>2,939</b>	<b>1,225</b>
Increase in net assets attributable to holders of redeemable shares from operations		3,035	3,205
<b>Net assets attributable to holders of redeemable shares at 31 December</b>		<b>53,124</b>	<b>47,150</b>

The notes on pages 6 to 24 are an integral part of these financial statements.

## STATEMENT OF CASH FLOWS

in EUR 1,000	Note	2018	2017
<b>Cash flows from operating activities</b>			
Increase in net assets attributable to holders of redeemable shares		3,204	3,326
Adjustment for:			
Interest from financial assets at fair value through profit or loss		(3,125)	(2,686)
Exchange gains on cash and cash equivalents		(43)	(101)
Other net changes in fair value on financial assets through profit or loss		(774)	(1,106)
		<b>(738)</b>	<b>(567)</b>
Net (increase)/decrease in other receivables and accrued expenses		(650)	4,629
Acquisition of financial assets at fair value through profit or loss		(8,006)	(4,820)
<b>Cash used by operations</b>		<b>(9,394)</b>	<b>(758)</b>
Interest received		4,997	554
Income tax paid		(97)	(110)
<b>Net cash used in operating activities</b>		<b>(4,494)</b>	<b>(314)</b>
<b>Cash flows from financing activities</b>			
Proceeds from redeemable shares issued		5,903	6,946
Redemption of redeemable shares		(2,963)	(5,721)
<b>Net cash from financing activities</b>		<b>2,940</b>	<b>1,225</b>
Net increase/decrease in cash and cash equivalents		(1,554)	911
Cash and cash equivalents at beginning of the year	7	1,858	846
Exchange gains on cash and cash equivalents		43	101
<b>Cash and cash equivalents at end of the year</b>	<b>7</b>	<b>347</b>	<b>1,858</b>

The notes on pages 6 to 24 are an integral part of these financial statements.

# Notes to the financial statements

## 1. General information

NOVA Green Energy otevřený podílový fond REDSIDE investiční společnost, a.s. ("the Fund") is managed and administrated by REDSIDE investiční společnost, a.s. ("Investment Company" or "the Company"), the Fund was established based on Czech National Bank (Česká národní banka) decision No. 2013/1333/570 dated 29 January 2013, which came into force on the same day.

The Fund is an open-ended investment fund of qualified investors incorporated on 29 January 2013 pursuant to Act No. 240/2013 Coll. on Investment Companies and Investment Funds (the "Act") and performs activities pursuant to Section 95 I of the Act. It is registered in the list of mutual funds maintained by the Czech National Bank pursuant to Section 597 B) of the Act, as an open-ended mutual fund of qualified investors. The fund was set up for an indefinite period, the number of shareholders is not limited.

Since 29 February 2016 the Fund has been registered for trading on the regulated market of the Prague Stock Exchange.

The Fund does not have legal personality, its assets are managed by the Investment Company. The Fund does not have employees and administration associated with its business activity is provided by the Investment Company.

The address of its registered office is V Celnici 1031/4, 110 00 Praha 1, Czech Republic.

The Fund is open-ended fund belonging to the category of mutual funds. Its objective is to generate significant medium to long-term net assets growth. It aims its objective on the basis of direct or indirect investments in new projects and the development of business plans, especially in the energy sector focusing on the segment of small and medium-sized enterprises producing electricity, mainly from renewable sources (photovoltaics, wind and water, biomass and others). The Fund focuses on investments in the Czech Republic and within the European Union. Investment income should be mainly derived from interest on loans granted and dividend income from these projects. Part of the profit from the Fund's portfolio will also be reinvested in accordance with the investment objective. As a complementary type of investments, the Fund will invest using both domestic and foreign financial market investment instruments, including investing in securities and receivables.

## 2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

In order to facilitate the listing on the regulated market of the Prague Stock Exchange, the financial statements of the Fund have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board of Directors to exercise its judgement in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 5.

#### (a) Standards and amendments to existing standards effective 1 January 2018

**IFRS 9 'Financial Instruments'** became effective for annual periods beginning on or after 1 January 2018. It addresses the classification and measurement of financial assets and liabilities and replaces the multiple classification and measurement models in IAS 39.

Classification and measurement of debt assets is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if the objective of the

business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument solely represent payments of principal and interest (SPPI). A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from SPPI and to sell. All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is available to measure at fair value through other comprehensive income. IFRS 9 also introduces a new expected credit loss (ECL) impairment model for assets not measured at fair value through profit or loss.

IFRS 9 has been applied retrospectively by the Fund and did not result in a change to the classification or measurement of financial instruments as outlined in note 2.3. The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

**(b) New standards, amendments and interpretations effective after 1 January 2018 and have not been early adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

**2.2 Foreign currency translation**

**(a) Functional and presentation currency**

The Fund's investors are mainly from the eurozone, with the subscriptions and redemptions of the redeemable shares denominated in euro. Investment income should be mainly derived from interest on loans granted and profit shares from projects especially in the energy sector. The performance of the Fund is measured and reported to the investors in euro. The Board of Directors considers the euro as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in euro, which is the Fund's functional and presentation currency.

**(b) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the statement of financial position date.

Foreign exchange gains and losses arising from translation are included in the statement of comprehensive income.

Foreign exchange gains and losses relating to cash and cash equivalents are presented in the statement of comprehensive income within 'Net foreign currency gains or losses on cash and cash equivalents'.

Foreign exchange gains and losses relating to the financial assets carried at fair value through profit or loss are presented in the statement of comprehensive income within "Other net changes in fair value on financial assets at fair value through profit or loss".

**2.3 Financial assets at fair value through profit or loss**

**(a) Classification**

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

The Fund's policy requires the Investment Manager and the Board of Directors to evaluate the information about these financial assets on a fair value basis together with other related financial information.

**(b) Exception to consolidation**

Since the Fund meets the definition of an Investment Entity as defined by IFRS 10 "Consolidated financial statements", it does not consolidate controlled investments but recognises them at fair value through profit or loss.

**(c) Recognition, derecognition and measurement**

Regular purchases and sales of investments are recognised at the trade date - the date on which the Fund commits to purchase or sell the investment. Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within other net changes in fair value of financial assets at fair value through profit or loss in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the statement of comprehensive income within dividend income when the Fund's right to receive payments is established. Interest earned on debt securities and loans granted is calculated using the linear interest method and is presented in profit or loss for the year as "Interest from financial assets at fair value through profit or loss".

**(d) Fair value estimation**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management will determine the point within the bid-ask spread that is most representative of fair value.

If a significant movement in fair value occurs subsequent to the close of trading, valuation techniques will be applied to determine the fair value. A significant event is any event that occurs after the last market price for a security, close of market or close of the foreign exchange, but before the Fund's valuation time that materially affects the integrity of the closing prices for any security, instrument or currency affected by that event so that they cannot be considered 'readily available' market quotations.

The fair value of financial assets that are not traded in an active market is determined using valuation performed by an independent certified valuation expert. Valuation techniques used include the application of discounted cash flow analysis based on reliable estimates of future cash flows and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

**2.4 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

**2.5 Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term investments in an active market with maturities of three months or less and bank overdrafts. Bank overdrafts are shown in current liabilities in the statement of financial position.

## 2.6 Accrued expenses

Accrued expenses are recognised initially at fair value and subsequently stated at amortised cost using the effective interest method.

## 2.7 Redeemable shares

The Fund issues two classes of redeemable shares, which are redeemable at the holder's option and which have identical rights, but are denominated in different currency. Such shares are classified as financial liabilities. Redeemable shares can be put back to the Fund at any dealing date for cash equal a proportionate share of the Fund's net asset value attributable to the share class. Shares are redeemable on the base of redemption notice and the Investment Company is obliged to redeem shares within the time period specified by the Statute of the Fund depending on the amount required for redemption by the holder.

The redeemable shares are carried at the redemption amount that is payable at the statement of financial position date if the holder exercises the right to put the share back to the Fund.

Redeemable shares are issued and redeemed at the holder's option at prices based on the Fund's net asset value per share as of the last date of the month preceeding to that in which redemption notice has been received by the Investment Company. The Fund's net asset value per share is calculated by dividing the net assets attributable to the holders of each class of redeemable shares with the total number of outstanding redeemable shares for each respective class.

Prepayments for redeemable shares are stated at the amount equal to cash consideration received.

## 2.8 Dividend income

Dividend income is recognised when the right to receive payment is established.

## 2.9 Transaction costs

Transaction costs are costs incurred to acquire financial assets at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers and dealers. Transaction costs, when incurred, are immediately recognised in profit or loss as an expense.

## 2.10 Distributions payable to holders of redeemable shares

Proposed distributions to holders of redeemable shares are recognised in the statement of comprehensive income when they are appropriately authorised and no longer at the discretion of the Fund. This typically occurs when proposed distribution is ratified by the Board of Directors of the Investment Company. The distribution on the redeemable shares is recognised as a finance cost in the statement of comprehensive income.

## 2.11 Increase/decrease in net assets attributable to holders of redeemable shares from operations

Income not distributed is included in net assets attributable to holders of redeemable shares. Movements in net assets attributable to holders of redeemable shares are recognised in the statement of comprehensive income as finance costs.

## 2.12 Taxation

### Current tax

Non tax-deductible expenses are added to, and non-taxable income is deducted from, the profit for the period before tax to arrive at the taxable income, which is further adjusted for tax allowances and relevant credits.

### Deferred tax

Deferred tax is provided on all temporary differences between the carrying and tax value of assets and liabilities multiplied by the income tax rate expected to be valid for the next period. A deferred tax asset is recognised only if it is probable that it will be utilised in future accounting periods.

### Withholding tax

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the statement of comprehensive income.

### 3. Financial risks

#### 3.1 Financial risk factors

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Fund is also exposed to operational risks such as custody risk. Custody risk is the risk of loss of securities held in custody occasioned by the insolvency or negligence of the custodian. Although an appropriate legal framework is in place that eliminates the risk of loss of value of the securities held by the custodian, in the event of its failure, the ability of the Fund to transfer securities might be temporarily impaired.

The Fund's overall risk management programme seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund's policy allows it to use derivative financial instruments to both mitigate and create certain risk exposures.

All securities investments present a risk of loss of capital. The maximum loss of capital on purchased options, long equity and debt securities is limited to the fair value of those positions. There are no future positions or other exposures where the maximum loss of capital can be unlimited.

The management of these risks is carried out by the Investment Company under policies defined by the Statute of the Fund and approved by the Board of Directors. The Statute defines principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of derivative financial instruments and non-derivative financial instruments and the investment of excess liquidity.

The Fund uses different methods to measure and manage the various types of risk to which it is exposed; these methods are explained below.

#### 3.1.1 Market risk

The Fund takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted

##### (a) Currency risk

The Fund operates internationally and holds both monetary and non-monetary assets denominated in currencies other than the euro, its functional currency. Foreign currency risk arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. Foreign exchange exposure relating to non-monetary assets and liabilities is considered to be a component of market price risk, not foreign currency risk. However, management monitors the exposure on all foreign currency denominated assets and liabilities.

The table below summarises the Fund's exposure to foreign currency exchange rate risk at the end of the reporting period:

in EUR 1,000	At 31 December 2018	At 31 December 2017
	CZK	CZK
<b>Assets</b>		
Monetary assets	247	1,961
Non-monetary assets at fair value through profit or loss	9,570	8,884
<b>Liabilities</b>		
Non-monetary liabilities	-	(87)
Monetary liabilities	(522)	(90)
<b>Net position</b>	<b>9,295</b>	<b>10,668</b>

The Fund does not enter into any foreign exchange hedging transactions for the purpose of managing its exposure to foreign exchange movements (both monetary and non-monetary).

The table below summarises the sensitivity of the Fund's monetary and non-monetary assets and liabilities to changes in foreign exchange movements at 31 December. The analysis is based on the assumptions that the relevant foreign exchange rate increased/decreased by the percentage disclosed in the table below, with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rates, having regard to historical volatility of those rates.

in EUR 1,000	At 31 December 2018		At 31 December 2017	
	Reasonable possible shift in rate	Movement in value	Reasonable possible shift in rate	Movement in value
<b>CZK</b>				
Monetary	+/- 1.5%	+/- 4	+/- 3%	+/- 56
Non-monetary	+/- 1.5%	+/- 144	+/- 3%	+/- 264

**(b) Interest rate risk**

The Fund takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The table below summarises the Fund's exposure to interest rate risks. The table presents the aggregated amounts of the Fund's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

**Interest rate sensitivity of the Fund's assets and liabilities**

in EUR 1,000	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Non-monetary	Total
<b>As at 31 December 2018</b>						
Equity securities	-	-	-	-	11,689	<b>11,689</b>
Debt securities	-	14,727	4,040	-	-	<b>18,767</b>
Subordinated loans granted	-	4,487	-	18,357	-	<b>22,844</b>
Cash and cash equivalents	347	-	-	-	-	<b>347</b>
<b>Net interest sensitivity gap at 31 December 2018</b>	<b>347</b>	<b>19,214</b>	<b>4,040</b>	<b>18,357</b>	<b>11,689</b>	<b>53,647</b>
<b>As at 31 December 2017</b>						
Equity securities	-	-	-	-	11,258	<b>11,258</b>
Debt securities	-	5,746	9,762	-	-	<b>15,508</b>
Subordinated loans granted	-	-	-	19,626	-	<b>19,626</b>
Cash and cash equivalents	1,858	-	-	-	-	<b>1,858</b>
<b>Net interest sensitivity gap at 31 December 2017</b>	<b>1,858</b>	<b>5,746</b>	<b>9,762</b>	<b>19,626</b>	<b>11,258</b>	<b>48,250</b>

The overview above includes all assets and liabilities and is coincident to the values presented in the statement of financial position of the Fund.

The Fund is not exposed to cash flow interest rate risk as it does not have variable interest instruments.

### (c) Another price risks

The Fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where equity securities are denominated in currencies other than the euro, the price initially expressed in foreign currency and then converted into euros will also fluctuate because of changes in foreign exchange rates. See Paragraph (a) 'Currency risk' above sets out how this component of price risk is managed and measured.

The Fund's policy is to manage price risk through diversification and selection of securities and other financial instruments within specified limits set by the Board of Directors. The Fund's policy limits individual equity securities to no more than 25% and investments in other investment funds to no more than 10% of the Fund's assets. In accordance with the Fund's policy asset manager monitors overall market position on a monthly basis and investees performance on a daily basis. Board of Directors reviews investees monitoring on a semi-annual basis. Compliance with the Fund's investment policies are reported to the Board of Directors on a semi-annual basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

### 3.1.2 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The Fund is mainly exposed to the risk of obligatory cash redemptions of redeemable shares.

The table below shows financial assets and liabilities at 31 December 2018 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual cash flows.

#### Residual maturity of the Fund's assets and liabilities

in EUR 1,000	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Not specified	Total
<b>As at 31 December 2018</b>						
Equity securities	-	-	-	-	11,689	11,689
Debt securities	-	14,727	4,040	-	-	18,767
Subordinated loans granted	-	4,487	-	18,357	-	22,844
Cash and cash equivalents	347	-	-	-	-	347
<b>Total</b>	<b>347</b>	<b>19,214</b>	<b>4,040</b>	<b>18,357</b>	<b>11,689</b>	<b>53,647</b>
Short-term liabilities	393	-	-	-	-	393
Current income tax liability	-	26	-	-	-	26
Deferred tax liability	-	-	-	104	-	104
Net assets attributable to holders of redeemable shares	-	53,124	-	-	-	53,124
<b>Total</b>	<b>393</b>	<b>53,150</b>	<b>-</b>	<b>104</b>	<b>-</b>	<b>53,647</b>
<b>Gap</b>	<b>(46)</b>	<b>(33,936)</b>	<b>4,040</b>	<b>18,253</b>	<b>11,689</b>	<b>-</b>
<b>Cumulative Gap</b>	<b>(46)</b>	<b>(33,982)</b>	<b>(29,942)</b>	<b>(11,689)</b>	<b>-</b>	<b>-</b>

in EUR 1,000	Up to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Not specified	Total
<b>As at 31 December 2017</b>						
Equity securities	-	-	-	-	11,258	11,258
Debt securities	-	5,746	9,762	-	-	15,508
Subordinated loans granted	-	-	-	19,626	-	19,626
Cash and cash equivalents	1,858	-	-	-	-	1,858
Other assets	-	28	-	-	-	28
<b>Total</b>	<b>1,858</b>	<b>5,774</b>	<b>9,762</b>	<b>19,626</b>	<b>11,258</b>	<b>48,278</b>
Short-term liabilities	1,071	-	-	-	-	1,071
Current income tax liability	-	-	-	-	-	-
Deferred tax liability	-	-	-	57	-	57
Net assets attributable to holders of redeemable shares	-	47,150	-	-	-	47,150
<b>Total</b>	<b>1,071</b>	<b>47,150</b>	<b>-</b>	<b>57</b>	<b>-</b>	<b>48,278</b>
<b>Gap</b>	<b>787</b>	<b>(41,379)</b>	<b>9,762</b>	<b>19,572</b>	<b>11,258</b>	<b>-</b>
<b>Cumulative Gap</b>	<b>787</b>	<b>(40,589)</b>	<b>(30,827)</b>	<b>(11,258)</b>	<b>-</b>	<b>-</b>

Redeemable shares are redeemed within the following period depending on the amount of redemption amount:

- 4 months, if redeemable amount is below or equal to equivalent of CZK 10 million;
- 6 months, if redeemable amount exceeds equivalent of CZK 10 million and does not exceed or equal CZK 30 million;
- 12 months, if redeemable amount exceeds equivalent of CZK 30 million.

In the table above redeemable shares included in the maturity cohort based on the total amount of individual holder redeemable amount as at 31 December 2018, assuming that holder exercised its option at 31 December.

However, the Board of Directors does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

The Fund manages its liquidity risk by maintaining cash balance at bank account and investing in debt securities which the management consider as readily realisable.

The Investment company is entitled to suspend the subscription and redemption of share of the Fund for 3 months at maximum for reasons of insufficient liquidity, that is that certain assets of the Fund will not be sold in time for a reasonable price.

### 3.1.3 Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The main concentration to which the Fund is exposed arises from the Fund's investments in subordinated receivables and corporate bonds. The Fund is also exposed to counterparty credit risk on cash and cash equivalents and other receivable balances. The Fund's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the statement of financial position.

The Fund structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower. The amount of principal of loans provided to one debtor (one collective investment fund) or bonds issued by a single issuer should not exceed 35% of the Fund's assets.

Exposure to credit risk is also managed by obtaining collateral and corporate and personal guarantees. If the credit or loan is provided to a company in which the Fund holds a controlling ownership interest the Fund may not require this company to secure the credit or loan with regard to the existence of the mutual relationship of the controlling and controlled entity, and in addition the Fund may contractually pledge its receivables from the credits or loans provided owed by this company against the receivable or receivables of other creditors.

The Fund's policy is to carry out technical and financial due diligence of the target before investment decision is taken by the Board of Directors. As at 31 December 2017 all subordinated loans were with 14 wholly owned entities engaged in renewable energy production, specifically solar power generation using photovoltaics. As at 31 December 2018 all subordinated loans except for one (loan to DMJ Management Solutions in Hungary) are with wholly owned entities. All entities including DMJ Management Solutions are engaged in renewable energy production (solar power generation using photovoltaics and biomass plants). The Fund's manager uses specific tools to monitor performance of those entities, including control of energy generation and other daily activities. The Fund's managers control all cash flows of wholly owned entities.

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 31 December 2018 and 31 December 2017, all other cash and equivalents are held with counterparties with a Moody's BCA rating of Ba1 or higher and are due to be settled on demand. Management consider the probability of default to be close to zero as the counterparties have strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

### 3.2 Capital risk management

The capital of the Fund is represented by the net assets attributable to holders of redeemable shares. The amount of net asset attributable to holders of redeemable shares can change significantly on a monthly basis, as the Fund is subject to monthly subscriptions and redemptions at the discretion of shareholders, as well as changes resulting from the Fund's performance. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for shareholders, provide benefits for other stakeholders and maintain a strong capital base to support the development of the investment activities of the Fund.

In order to maintain the capital structure, the Fund's policy is to perform the following:

- Monitor the level of monthly subscriptions and redemptions relative to the assets it expects to be able to liquidate within redemption periods disclosed in the Note 3.1.2. and adjust the amount of distributions the Fund pays to redeemable shareholders.
- Redeem and issue new shares in accordance with the constitutional documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Board of Directors, Investment Manager and Fund's depository monitor capital on the basis of the value of net assets attributable to redeemable shareholders.

### 3.3 Fair value estimation

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the year end date. The Fund utilises the last traded market price for both financial assets and financial liabilities. If a significant movement in fair value occurs subsequent to the close of trading, valuation techniques will be applied to determine the fair value.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial assets and liabilities that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each year-end date. Valuation techniques used for non-standardised financial instruments include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

For instruments for which there is no active market, the Fund uses the valuations performed by an independent certified valuation expert, which are usually based on valuation methods and techniques generally recognised as standard within the industry. Valuation models are used primarily to value unlisted equity, debt securities, receivables and other debt instruments for which markets were or have been inactive during the financial year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a valuation is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

The carrying value of cash and cash equivalents is assumed to approximate fair value.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy the Fund's assets and liabilities (by class) measured at fair value at 31 December 2018.

All fair value measurements disclosed are recurring fair value measurements.

in EUR 1,000	Level 3	Total balance
<b>ASSETS</b>		
<b>Financial assets at fair value through profit or loss:</b>		
Debt securities		
Eurozone corporate	18,767	<b>18,767</b>
Equity securities		
Eurozone corporate		
Green energy	11,689	<b>11,689</b>
Subordinated loans granted		
Eurozone corporate		
Green energy	22,844	<b>22,844</b>
<b>Total assets at fair value through profit or loss</b>	<b>53,300</b>	<b>53,300</b>

The following table analyses within the fair value hierarchy the Fund's assets and liabilities measured at fair value at 31 December 2017.

in EUR 1,000	Level 3	Total balance
<b>ASSETS</b>		
<b>Financial assets at fair value through profit or loss:</b>		
Debt securities		
Eurozone corporate	15,508	<b>15,508</b>
Equity securities		
Eurozone corporate		
Green energy	11,258	<b>11,258</b>
Subordinated loans granted		
Eurozone corporate		
Green energy	19,626	<b>19,626</b>
<b>Total assets at fair value through profit or loss</b>	<b>46,392</b>	<b>46,392</b>

Investments classified within Level 3 have significant unobservable inputs, as they are traded infrequently or are not traded at all. Level 3 instruments include private equity and subordinated loans granted. As observable prices are not available for these securities, the Fund has used valuation techniques to derive the fair value.

Level 3 valuations are reviewed at least annually by an independent certified expert opinion, as of 31 December of each calendar year. The fair value of loans provided by the Fund is determined at the value of principal unless the Investment Company is aware of serious reasons concerning the credibility of the debtor allowing the Fund to proceed otherwise. The method for the determination of the fair value of other assets and liabilities of the Fund and the method for the determination the actual value of the share of the Fund is set forth by an implementing legal regulation. The valuation performed by an independent certified valuation expert include the application of discounted cash flow analysis based on reliable estimates of future cash flows and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The valuation technique, inputs used in the fair value measurement for level 3 measurements and related sensitivity to reasonably possible changes in those inputs are as follows:

in EUR 1,000	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
<b>At 31 December 2018</b>						
<b>Financial assets at fair value through profit or loss</b>						
Debt securities	18,767	Discounted cash flows ("DCF")	Government bonds yield curve	0.88 % (0.88 %)	± 0.5 %	- 0.10 % + 0.09 %
			Credit spread	7.89 % (7.89 %)	± 1 %	- 0.75 % + 0.40 %
Equity securities	11,689	Discounted cash flows ("DCF")	Green energy price*	112 – 595 EUR/ MWh (433 EUR/ MWh)	± 1 %	- 5.24 % + 6.01 %
			Energy production	882.6 – 8 200 MWh/MW (1 851 MWh/MW)	± 5 %	- 17.46 % + 30.05 %
			Risk free rate	0.88 - 1.98 % (1.78 %)	± 0.5 %	- 6.59 % + 7.39 %
			Risk premium	5.96 % (5.96 %)	± 1 %	- 10.44 % + 12.37 %
Subordinated loans	22,844	Discounted cash flows ("DCF")	Discount rate	6.99 - 8.95 % (8.30 %)	± 0.5 %	- 1.30 % + 1.34 %

in EUR 1,000	Fair value	Valuation technique	Inputs used	Range of inputs (weighted average)	Reasonable change	Sensitivity of fair value measurement
<b>At 31 December 2017</b>						
<b>Financial assets at fair value through profit or loss</b>						
Debt securities	15,508	Discounted cash flows ("DCF")	Government bonds yield curve	0.92 % (0.92 %)	± 0.5 %	± 0.06 %
			Credit spread	8.21 % (8.21 %)	± 1 %	± 0.65 %
Equity securities	11,258	Discounted cash flows ("DCF")	Green energy price*	112 – 599 EUR/ MWh (438 EUR/ MWh)	± 1 %	- 5.13 % + 5.58 %
			Energy production	882.6 – 8 200 MWh/MW (1 851 MWh/MW)	± 5 %	- 20.35 % + 27.78 %
			Risk free rate	0.92 - 0.98 % (0.93 %)	± 0.5 %	- 6.80 % + 7.40 %
			Risk premium	5.08 % (5.08 %)	± 1 %	- 14.43 % + 16.10 %
Subordinated loans	19,626	Discounted cash flows ("DCF")	Discount rate	7.41 - 9.25 % (8.69 %)	± 0.5 %	- 1.67 % + 1.71 %

The above tables disclose sensitivity to valuation inputs for financial assets, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly. For this purpose, significance was judged with respect to profit or loss and net assets.

Green energy price disclosed in the tables above as one of the most significant inputs depends on the country, type of green energy and date when power plan was put in operation. It is fixed but is the subject for government annual re-approval.

There were no changes in valuation technique for level 3 recurring fair value measurements during the year ended 31 December 2018 (2017: none).

The sensitivity of fair value measurement disclosed in the above table shows the direction that an increase or decrease in the respective input variables would have on the valuation result. For equity securities, green energy prices are fixed for their period equal to useful life of photovoltaic panels, however it is a subject for annual approval by the government.

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments is as follows:

in EUR 1,000	Debt Securities	Equity securities	Subordinated loans granted	Total financial assets at fair value through profit or loss
<b>Fair value at 1 January 2017</b>	<b>15,815</b>	<b>9,630</b>	<b>12,887</b>	<b>38,333</b>
Gains or losses recognised in profit or loss for the year	(98)	1,628	(424)	1,106
Issue or origination	-	-	5,777	5,777
Accrual of interest	1,301	-	1,386	2,686
Repayment of interest	(554)	-	-	(554)
Settlements	(956)	-	-	(956)
<b>Fair value at 1 January 2018</b>	<b>15,508</b>	<b>11,258</b>	<b>19,626</b>	<b>46,392</b>
Gains or losses recognised in profit or loss for the year	(17)	115	676	774
Issue or origination	4,015	316	4,316	8,647
Accrual of interest	1,258	-	1,867	3,125
Repayment of interest	(1,997)	-	(3,000)	(4,997)
Settlements	-	-	(641)	(641)
<b>Fair value at 31 December 2018</b>	<b>18,767</b>	<b>11,689</b>	<b>22,844</b>	<b>53,300</b>

The Fund also considers other liquidity, credit and market risk factors, and adjusts the valuation model as deemed necessary.

No transfers between levels occurred during the year 2018 and 2017.

#### 4. Segment information

The Fund is domiciled in the Czech Republic. All of the Fund's investments are located in the European Union. The Board of Directors considers the business as one portfolio and monitors its investments both individually and according to the geographical location. Currently there are three segments based on geographical location: Czech Republic, Slovak Republic and Hungary. There were no changes in the reportable segments during the year.

The segment information is as follows:

**For the year ended 31 December 2018**

in EUR 1,000	Czech Republic	Slovak Republic	Hungary	Total
Interest income	1,081	1,869	175	3,125
Other net changes in fair value on financial assets through profit or loss	(515)	1,289	-	774
<b>Total net segment income</b>	<b>566</b>	<b>3,158</b>	<b>175</b>	<b>3,899</b>
<b>Total segment assets</b>	<b>26,019</b>	<b>23,107</b>	<b>4,174</b>	<b>53,300</b>

Total segment assets include:

in EUR 1,000	Czech Republic	Slovak Republic	Hungary	Total
Debt securities	13,019	5,748	-	18,767
Equity securities	9,569	2,120	-	11,689
Subordinated loans granted	3,431	15,239	4,174	22,844

**For the year ended 31 December 2017**

in EUR 1,000	Czech Republic	Slovak Republic	Hungary	Total
Interest income	1,054	1,632	-	2,686
Other net changes in fair value on financial assets through profit or loss	2,222	(1,116)	-	1,106
<b>Total net segment income</b>	<b>3,276</b>	<b>516</b>	<b>-</b>	<b>3,792</b>
<b>Total segment assets</b>	<b>22,007</b>	<b>24,385</b>	<b>-</b>	<b>46,392</b>

Total segment assets include:

in EUR 1,000	Czech Republic	Slovak Republic	Hungary	Total
Debt securities	9,746	5,762	-	15,508
Equity securities	8,884	2,374	-	11,258
Subordinated loans granted	3,377	16,249	-	19,626

There were no transactions between reportable segments.

The Fund's costs which are mainly the management and administration fees are not considered to be segment expenses.

A reconciliation of total segmental income to operating profit is provided as follows:

in EUR 1,000	2018	2017
Total segment income	3,899	3,792
Net foreign currency gains or losses on cash and cash equivalents	43	101
Expenses	(738)	(566)
<b>Operating profit</b>	<b>3,204</b>	<b>3,326</b>

Reportable segments' assets are reconciled to total assets as follows:

in EUR 1,000	31 December 2018	31 December 2017
Segment assets for reportable segments	53,300	46,392
Other assets	-	28
Cash and cash equivalents	347	1,858
<b>Total assets</b>	<b>53,647</b>	<b>48,278</b>

The Fund's other assets and cash and cash equivalents are not considered to be segment items as well as all Fund's liabilities.

## 5. Critical accounting estimates and judgements

### 5.1 Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

#### (a) Fair value of financial assets not quoted in an active market

The fair value of such financial assets not quoted in an active market is determined by an independent certified valuation expert. Valuation techniques used include the application of discounted cash flow analysis based on reliable estimates of future cash flows, adjusted as appropriate for liquidity, credit and market risk factors, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. The Fund would exercise judgement and estimates quantity and quality of pricing sources used. Valuation methods and techniques used are generally recognised as standard within the industry. The models used to determine fair values are validated and periodically reviewed by Investment Manager.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The determination of what constitutes "observable" requires significant judgement by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

For details on fair value calculation please refer to Note 3.3.

### 5.2 Critical judgements

#### Functional currency

The Board of Directors considers the euro as the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The euro is the currency in which the Fund measures its performance and reports its results,

as well as the currency in which it receives subscriptions from its investors. This determination also considers the competitive environment in which the Fund is compared to other European investment products.

## 6. Financial assets at fair value through profit or loss

in EUR 1,000	31 December 2018		31 December 2017	
	Fair value	% of net assets	Fair value	% of net assets
<b>Debt securities</b>				
Czech Republic	13,019	24.51%	9,746	20.65%
Slovak Republic	5,748	10.82%	5,762	12.21%
Hungary	-	0.00%	-	0.00%
<b>Total debt securities</b>	<b>18,767</b>	<b>35.33%</b>	<b>15,508</b>	<b>32.85%</b>
<b>Equity securities</b>				
Czech Republic	9,569	18.01%	8,884	18.82%
Slovak Republic	2,120	3.99%	2,374	5.03%
Hungary	-	0.00%	-	0.00%
<b>Total equity securities</b>	<b>11,689</b>	<b>22.00%</b>	<b>11,258</b>	<b>23.85%</b>
<b>Subordinated loans granted</b>				
Czech Republic	3,431	6.46%	3,377	7.15%
Slovak Republic	15,239	28.69%	16,249	34.42%
Hungary	4,174	7.86%	-	0.00%
<b>Total subordinated loans granted</b>	<b>22,844</b>	<b>43.00%</b>	<b>19,626</b>	<b>41.58%</b>
<b>Total financial assets at fair value through profit or loss</b>	<b>53,300</b>	<b>100.33%</b>	<b>46,392</b>	<b>98.28%</b>

Debt and equity securities are grouped based on their primary market in which the issuer operates.

## 7. Cash and cash equivalents

Cash and cash equivalents include only cash at bank on demand. The Fund holds all his cash in two banks, UniCredit Bank Czech Republic and Slovakia, a.s., which has the BCA Moody's rating of Ba1 as at 31 December 2018 (LTD Moody's rating of Baa1), and Československá obchodní banka, a.s., which has the BCA Moody's rating of A3 as at 31 December 2018 (LTD Moody's rating of A1).

## 8. Short-term liabilities

in EUR 1,000	31 December 2018	31 December 2017
Prepayment received for redeemable shares	245	910
Other liabilities	148	161
<b>Total</b>	<b>393</b>	<b>1,071</b>

## 9. Redeemable shares

The shares of the Fund are accepted for trading on a regulated market of the Prague Stock Exchange. The identification code according the international system of numbering for the identification of securities (ISIN) - CZ0008474053 for EUR issue, CZ0008474673 for CZK issue. All units issued by the Fund are considered as redeemable share with par value 1 CZK or 0,1 EUR, none of them carry voting rights, but are entitled to dividends if Investment company decides to do so. All shares are subject to management fees and all issued redeemable shares are fully paid. The Fund's redeemable shares are subject to a minimum holding and subscription amount.

The amount of the minimum entry investment per a holder is EUR 125 thousand for EUR denominated shares and CZK 1 million, equivalent of EUR 40 thousand, for CZK denominated shares.

During the year ended 31 December, the number of shares issued, redeemed and outstanding were as follows:

in EUR 1,000	2018			2017		
	Class EUR	Class CZK	Total	Class EUR	Class CZK	Total
<b>At 1 January</b>	276,789,830	221,006,289	497,796,119	258,351,772	248,113,280	506,465,052
Redeemable shares issued	17,734,991	73,323,479	91,058,470	40,604,217	38,915,203	79,519,420
Redeemable shares redeemed	14,472,473	20,754,972	35,227,445	22,166,159	66,022,194	88,188,353
<b>At 31 December</b>	<b>280,052,348</b>	<b>273,574,796</b>	<b>553,627,144</b>	<b>276,789,830</b>	<b>221,006,289</b>	<b>497,796,119</b>

The Fund's net asset value per share is EUR 0.1421 (2017: EUR 0.1335) for a share denominated in EUR and EUR 0.0487 (2017: EUR 0.0461) for a share denominated in CZK, at the statement of financial position date.

## 10. Interest income

in EUR 1,000	2018	2017
Designated at fair value through profit or loss:		
Debt securities	1,259	1,301
Subordinated loans granted	1,866	1,385
<b>Total</b>	<b>3,125</b>	<b>2,686</b>

## 11. Income taxes

(a) Income tax expense comprise the following:

in EUR 1,000	2018	2017
Current tax	122	86
Deferred tax	47	34
<b>Income tax expense for the year</b>	<b>169</b>	<b>121</b>

**(b) Movement in deferred tax**

The movement on the deferred income tax account is as follows:

in EUR 1,000	2018	2017
<b>At 1 January</b>	<b>(57)</b>	<b>(22)</b>
Subordinated loans granted (Note 6)		
Fair value remeasurement	(31)	20
Equity securities (Note 6)		
Fair value remeasurement	(16)	(55)
<b>At 31 December</b>	<b>(104)</b>	<b>(57)</b>

**(c) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate**

The income tax rate applicable to the majority of the Fund's 2018 and 2017 income is 5%. A reconciliation between the expected and the actual taxation charge is provided below.

in EUR 1,000	2018	2017
<b>Profit after distributions and before tax</b>	<b>3,204</b>	<b>3,326</b>
Theoretical tax charge at statutory rate of 5%:	160	166
Tax effect of items which are not deductible or assessable for taxation purposes:		
Income which is exempt from taxation	-	(45)
Non-deductible expenses	9	-
<b>Income tax expense for the year</b>	<b>169</b>	<b>121</b>

**12. Related-party transactions**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

**(a) Management and administration fee**

The Fund is managed by the Investment Company. Under the terms of the management agreement dated 31 October 2014, the Fund appointed the Investment Company to provide management services to the Fund. The Investment Company receives in return a fee based on the net asset value as of the end of the month using the annual rate of 1.3%. Total management fees for the year amounted to EUR 644 thousand (2017: EUR 497 thousand), with EUR 58 thousand (2017: EUR 44 thousand) in outstanding accrued fees due to the Investment Company at the end of the year.

**(b) Subordinated loans granted to subsidiaries and related interest income**

Subordinated loans granted to subsidiaries and interest income from these loans are related-party transactions. Amount of subordinated loans provided to subsidiaries as of 31 December 2018 is EUR 18,669 thousand (31 December 2017: EUR 19,626 thousand).

Interest income from subordinated loans granted to related parties recognised in 2018 is EUR 1,691 thousand (2017: EUR 1,385 thousand).

**(c) Acquisitions of subsidiaries**

In 2018 the Fund acquired subsidiaries from related parties in the amount of EUR 316 thousand (2017: nil).

### 13. Events After the Reporting Period

No subsequent events occurred between the reporting date and the date of authorization of these financial statements, which would have a material impact on the financial statements of the Fund.

### 14. Approval of financial statements

The financial statements were approved by the 15 April 2019 and authorised for issue on the same date.

The financial statements  
were prepared on:  
15 April 2019

Stamp and signature

Person responsible  
for accounting  
Name and signature:

Person responsible  
for the financial statements  
Name and signature:

  
\_\_\_\_\_  
Rudolf Vřešťál  
Authorised Representative

  
\_\_\_\_\_  
Karel Krhovský  
Authorised Representative

  
\_\_\_\_\_  
Rudolf Vřešťál  
Authorised Representative

Phone no.: 222 500 758

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\_\_\_\_\_  
Karel Krhovský  
Authorised Representative